Mr Coleman

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MAY 31

1968 OPERATIONAL & STATISTICAL REVIEW

AVCO DELTA CORPORATION

AVCO DELTA CORPORATION AND SUBSIDIARIES

STATISTICAL HIGHLIGHTS (1)

THOUSANDS OF DOLLARS

	May 31 1968 (6 mo.)	1967	1966	1965	(2) 1964	1963	1962	1961	1960	1959
Receivables Outstanding	$ 573,181	$ 520,205	$ 446,745	$ 338,608	$ 227,485	$ 163,468	$ 105,880	$ 71,932	$ 57,071	$ 45,715
Capital Funds	150,462	141,840	115,982	102,509	54,596	42,802	21,632	16,692	14,764	11,819
Net Worth	76,027	72,301	64,605	47,970	26,569	26,197	11,498	8,309	7,514	6,190
Deferred Income	72,109	63,960	51,441	36,624	24,573	15,696	6,412	3,832	3,278	2,782
Total Volume	340,961	580,438	514,455	372,332	273,515	224,517	156,851	108,043	92,033	77,153
Gross Income	38,987	70,665	57,928	41,198	27,476	21,248	13,135	9,328	7,075	5,090
Earnings before Income Tax	7,169	13,206	10,875	8,073	5,026	4,130	1,817	967	930	583
Provision for Taxes	3,340	6,152	5,588	4,046	2,330	1,950	836	500	482	275
Earnings before Minority Interest	3,829	7,054	5,287	4,027	2,696	2,180	981	467	448	308
Net Earnings (3)	3,711	6,792	4,901	3,561	2,696	2,180	981	467	448	308
Offices: Automotive	23	25	25	25	28	29	22	22	17	16
Capital Equipment	6	6	6	5	5	4	2	2	—	—
Consumer Finance Canadian	279	267	248	211	150	122	99	77	54	37
Consumer Finance U.S.	114	102	87	70	—	—	—	—	—	—
Farm Equipment	10	10	10	—	—	—	—	—	—	—
Home Improvement	26	30	28	29	18	11	—	—	—	—
Industrial Bank	9	9	9	8	5	4	—	—	—	—
Insurance	7	7	7	6	6	8	6	1	—	—
Thrift	13	12	6	—	—	—	—	—	—	—
Total Offices	487	468	426	354	212	178	129	102	71	53

(1) Figures from 1959 to 1964 are those of Avco Delta Corporation Canada Limited and have been converted to United States Dollars at appropriate rates of exchange.

(2) Eleven month period due to fiscal year end change from December 31 to November 30.

(3) Exchange adjustments resulting from depreciation of the Canadian Dollar in relation to the United States Dollar were charged as "special items" to retained earnings as follows: 1960—$587, 1961—$1,046, 1962—$1,108.

AVCO DELTA CORPORATION

MAY 31, 1968 OPERATIONAL AND STATISTICAL REVIEW

including Long Form Report and Robert Morris Questionnaires

FINANCIAL SERVICES GROUP
OF AVCO CORPORATION
750 THIRD AVE.
NEW YORK, N.Y. 10017

JULY, 1968

REVIEW OF OPERATIONS

FINANCIAL STATEMENTS & LONG FORM REPORT

ROBERT MORRIS QUESTIONNAIRES

SALES FINANCE COMPANY QUESTIONNAIRE

DIRECT CASH LENDING QUESTIONNAIRE

SECTION 1

REVIEW OF OPERATIONS

HIGHLIGHTS OF SIX MONTHS 1968

EARNINGS

Net earnings after dividends to minority interest for the six month period ending May 31, 1968 increased 6.5% to $3.7 million from $3.5 million for the same period ending May 31, 1967. Net earnings for the second quarter increased 11.3% over the same quarter of 1967 and were substantially improved over the first quarter of 1968.

High current interest rates affected earnings considerably. Interest and debt expenses accounted for 34.2% of gross income in the first six months of 1968 as compared to 31.1% for the same period of 1967. A substantial portion of this increase was offset by a reduction in losses and other expenses. These items were reduced from 49.1% to 47.4% of gross income (as indicated on page 14).

Deferred income increased 12.7% from year end and totalled $72.1 million or 16.0% of related receivables as compared with $64.0 million or 15.6% at November 30, 1967.

	Six Months Ending May 31/68	Six Months Ending May 31/67	Percentage Increase	**Second Quarter Ending May 31/68**	Second Quarter Ending May 31/67	Percentage Increase
	(Thousands of Dollars)			(Thousands of Dollars)		
Gross income - -	**$38,987**	$34,671	12.4%	**$19,920**	$17,727	12.4%
Net earnings after tax	**3,829**	3,620	5.8	**2,246**	2,037	10.3
Net earnings after tax and dividends to minority interest -	**3,711**	3,484	6.5	**2,192**	1,969	11.3

RECEIVABLES

Receivables increased 10.2% to $573.2 million from $520.2 million at November 30, 1967. Retail installment receivables and Loans increased 6.8% and 9.8% respectively. Increases in wholesale outstandings were seasonal.

	May 31, 1968	Nov. 30, 1967	Percentage Increase
	(Thousands of Dollars)		
Retail installment - -	**$285,418**	$267,257	6.8%
Loans - - - - -	**232,963**	212,089	9.8
Wholesale (on Avco New Idea farm equipment -	**41,967**	31,348	33.9
Other wholesale and miscellaneous -	**12,833**	9,511	34.9

DELINQUENCIES & LOSSES

Delinquencies continue to be favourable and the overall loss to liquidation for the first six months of 1968 has decreased to 1.10% from 1.49% for the year 1967.

DEVELOPMENT

Twenty-five new offices were opened during the first half of 1968 — 12 Loan offices in Canada and 12 in the U.S., and one Thrift office in California. Several Automotive and Home Improvement offices have been consolidated for efficiency purposes. The Company now has a total of 487 branches in operation.

SUBSEQUENT EVENTS

In June, 1968, shares representing a majority interest in a home improvement finance company, with outstandings of $46.2 million, were received as a capital contribution from Avco Corporation. The Company anticipates that during the third quarter a consumer finance company, with outstandings of $14.1 million, will also be consolidated into Avco Delta.

Additional statistical highlights comparing the first six months of 1968 with previous years are outlined on the inside of the front cover.

HISTORY AND BUSINESS

Avco Delta Corporation acquired control of Avco Delta Corporation Canada Limited (formerly Delta Acceptance Corporation Limited) in December 1964. Avco Delta Canada and its subsidiaries were, at the time of acquisition by Avco Delta, engaged in the finance business throughout Canada and in the United States. More than 98% of the outstanding voting shares of Avco Delta Canada, are now owned by Avco Delta. Subsequent to the purchase of Avco Delta Canada, the Company has made substantial acquisitions in the consumer finance field in areas of the United States that have broadened Avco Delta's geographical diversification.

The business activities of Avco Delta and its subsidiaries are presently being conducted through nine major divisions operating in both the United States and Canada. Details as to the business carried on by each separate division are set out below:

AUTOMOTIVE DIVISION

The Automotive Division operates in the name of Avco Delta Corporation Canada Limited and its subsidiary Avco Delta Dominion Limited. This division acquires retail installment sales contracts covering the purchase by consumers of automobiles, mobile homes, commercial vehicles and other durable goods and also provides direct loans and wholesale advances on automobiles and mobile homes to dealers. In addition the division discounts and makes loans, secured by second mortgages, to home owners. This division now operates 23 branches in six Canadian provinces. As of May 31, 1968 its outstanding receivables totalled approximately $69.6 million.

CAPITAL EQUIPMENT DIVISION

This division also operates in the names of Avco Delta Corporation Canada Limited and Avco Delta Dominion Limited, and it provides financing for industrial and commercial accounts covering a broad range of revenue producing machinery and equipment. As of May 31, 1968 this division operated six branches in five Canadian provinces and had total outstanding receivables of approximately $37.0 million.

CONSUMER FINANCE DIVISION — CANADA

The Canadian Consumer Finance Division operates in the name of Avco Finance Limited (formerly The Crescent Finance Corporation, Limited). This division specializes in consumer loans, more than 90% of which are secured by automobiles and/or household goods. In addition, this division operates in the sales finance field by purchasing retail installment sales obligations from dealers covering appliances and other consumer goods. As of May 31, 1968 the Canadian Consumer Finance Division operated 279 branches in all Canadian provinces. Its receivables totalled approximately $168.6 million.

CONSUMER FINANCE DIVISION — UNITED STATES

This division consists of Avco Finance Company and its subsidiaries. The United States Consumer Finance Division also specializes in the consumer loan and sales finance fields, with approximately 90% of its loans being secured by automobiles and/or household goods. As of May 31, 1968 this division had 114 branch offices located in 12 states, and its receivables totalled approximately $62.5 million.

FARM EQUIPMENT DIVISION

This division consists of Avco New Idea Credit Corporation, which was incorporated in 1966 to offer credit services to dealers franchised by Avco New Idea, the Farm Equipment Division of Avco Corporation, and to customers of these dealers. The division acquires retail installment contracts covering the purchase of farm equipment and provides wholesale advances to farm equipment dealers. As of May 31, 1968 the division operated a total of ten branches. At that date its receivables totalled approximately $68.3 million.

HOME IMPROVEMENT DIVISION

The Home Improvement Division consists of Avco Delta Corporation of Massachusetts and its affiliated companies. They specialize in the financing of home improvements by purchasing customers' notes from building contractors and dealers. The notes are generally secured by supplementary mortgages on the homes involved. The division also discounts and makes loans, secured by real property, to home owners. The security is usually subordinate to other liens. As of May 31, 1968 this division operated a total of 26 offices in 17 states and had receivables totalling approximately $119.5 million.

INDUSTRIAL BANK DIVISION

This division includes the Colorado Industrial Bank, seven other industrial banks and other financial offices engaged in the consumer loan and sales finance fields in Colorado. The industrial banks also accept savings and time deposits. As of May 31, 1968 this division operated nine offices and had total receivables of approximately $33.2 million.

INSURANCE DIVISION

In Canada the division operates London and Midland General Insurance Company and Adanac General Insurance Company of Canada. Both companies are permitted to write all forms of insurance other than life in all provinces of Canada. Gross premiums written during 1967 were approximately $15,000,000 and were written through independent insurance agents. In the United States the Company also operates two credit life and disability insurance companies and six insurance agencies.

THRIFT DIVISION

This division operates in the state of California in the name of Avco Thrift. It also is engaged in the consumer loan and sales finance fields and has deposit and loan powers very similar to those of the industrial banks. The division now operates 13 branches and its receivables as of May 31, 1968 totalled approximately $14.5 million.

The following table indicates the extensive geographical distribution of the Company's offices and gross receivables outstanding at May 31, 1968 and November 30, 1967.

	Percent of Receivables Outstanding		Total Offices		Division Offices — 1968				
UNITED STATES	1968	1967	1968	1967	U.S. Consumer Finance	Home Improvement	Farm Equipment	Industrial Bank	Thrift
Alabama	.2%	.1%	1	1		1			
Arizona	.2	.2	3	4	3				
California	3.0	2.4	16	13	1	2			13
Colorado	7.0	7.4	24	20	15			9	
Connecticut	.9	1.2	1	2		1			
Georgia	.9	.9	1	1		1			
Illinois	3.4	2.9	7	7	6		1		
Indiana	1.0	1.8	3	4	2	1			
Iowa	5.1	5.1	31	31	30		1		
Kansas	.9	.9	7	5	6		1		
Maine	1.1	1.4	1	3		1			
Massachusetts	1.4	1.8	1	2		1			
Michigan	2.4	2.2	2	2		1	1		
Minnesota	1.2	1.1	1	1			1		
Missouri	1.4	1.5	11	11	10	1			
Nebraska	3.1	3.0	26	25	26				
New Hampshire	1.1	1.4	1	2		1			
New York	6.4	6.8	6	6		5	1		
North Carolina	.6	.5	2	2		1	1		
Ohio	6.7	5.0	16	12	11	4	1		
Pennsylvania	2.8	2.7	3	4		2	1		
Rhode Island	.7	.9	1	1		1			
South Dakota	.1	—	1	—	1				
Virginia	.1	—	1	—		1			
Washington	.1	—	1	—		1			
Wyoming	.2	.2	3	3	3				
	52.0	51.4	171	162	114	26	10*	9	13

CANADA					Automotive	Capital Equipment	Canadian Consumer Finance	Insurance
Alberta	6.5	6.2	25	23	2	2	20	1
British Columbia	6.4	6.8	31	30	5	1	24	1
Manitoba	1.8	1.9	12	12	1	1	9	1
New Brunswick	2.6	2.7	23	23			23	
Newfoundland	2.1	2.1	19	17			19	
Nova Scotia	2.3	2.7	21	20			21	
Ontario	15.7	15.9	111*	109*	10	1	97	2
Prince Edward Is.	.2	.3	2	3			2	
Quebec	8.2	7.7	58	55	3	1	52	2
Saskatchewan	2.2	2.3	14	14	2		12	
	48.0	48.6	316	306	23	6	279	7
	100.0%	100.0%	487	468				

** Includes one Farm Equipment Office located in Ontario, Canada.*

MANAGEMENT

The following sections outline some of the details of the Company's management organization as well as some of the significant features of its management controls.

A. MANAGEMENT ORGANIZATION

During its earlier stages of growth the Company was particularly successful in attracting trained and experienced finance personnel from the industry. These men were aggressive and eager to join a young growing company offering maximum opportunities.

The Company has extensive job training programs. Currently, more than 90% of all branch management is being generated from within. Most of the branch personnel have to complete various on-the-job training courses and pass written and verbal tests before qualifying for advancement in either salary or position. The Company has also established formal training branches and schools in various locations. Without this training and resultant continuity of management, the Company could not possibly have attained its rate of growth on a soundly controlled and profitable basis. It is a matter of pride with the Company that every operational employee has started in the finance business at the minimum branch level position and performed all job functions up to his current assignment.

Resumes of Avco Delta's senior executives are listed below:

R. W. Yantis - Chairman of the Board, 22 years experience in the finance industry, joined Delta as President in 1956 after previous employment with General Finance and Fruehauf Trailer Finance; married, age 45.

H. P. Paterno - President, 20 years experience in the finance industry, joined Delta in 1959 after previous employment with General Finance and Fruehauf Trailer Finance; married, age 43.

H. S. Tennant - Executive Vice-President, joined Delta as Vice-President of the Consumer Finance Division in 1958 after 20 years experience with Household Finance; married, age 54.

R. C. Dannecker - Executive Vice-President, joined Delta in 1956 as Vice-President and General Manager of the Acceptance Division after 10 years experience with General Finance and Fruehauf Trailer Finance; married, age 44.

C. J. Connell - Group Vice-President, Insurance Division and Corporate Services, joined Delta in 1961 as General Manager of the Insurance Division after 10 years experience with Motors Insurance Corporation and American Plan Corporation; married, age 39.

R. M. Hett - Senior Vice-President, has more than 14 years finance industry experience, joined Delta in 1960 after securing experience with Niagara Finance and GMAC; married, age 36.

R. A. Anderson - Vice-President and General Manager, U.S. Consumer Finance Division, South East, joined the Company in 1959 after more than 10 years experience in the finance industry with Household Finance; married, age 41.

M. H. Bailey - Vice-President and General Manager, Capital Equipment Division, joined Delta in 1965 after 15 years of finance experience with the Canadian Imperial Bank of Commerce and Canadian Acceptance Corporation (CIT); married, age 39.

T. M. Cumming - Vice-President and General Manager, U.S. Consumer Finance Division, Central, joined the Company in 1959 and has more than 17 years experience in the finance industry including 9 years with Household Finance; married, age 39.

H. E. Dickerson - Vice-President and General Manager, Farm Equipment Division, 17 years experience in the finance industry, joined Delta in 1959 after securing experience with General Finance and Fruehauf Trailer Finance; married, age 39.

W. A. Gallaway - Vice-President and General Manager, Automotive Division, joined Delta in 1958 and has more than 14 years experience in the finance industry including 5 years with Canadian Acceptance Corporation; married, age 38.

R. G. Green - Vice-President and General Manager, Insurance Division, joined the Company in 1961 after 10 years in the insurance industry including experience with Motors Insurance Corporation; married, age 39.

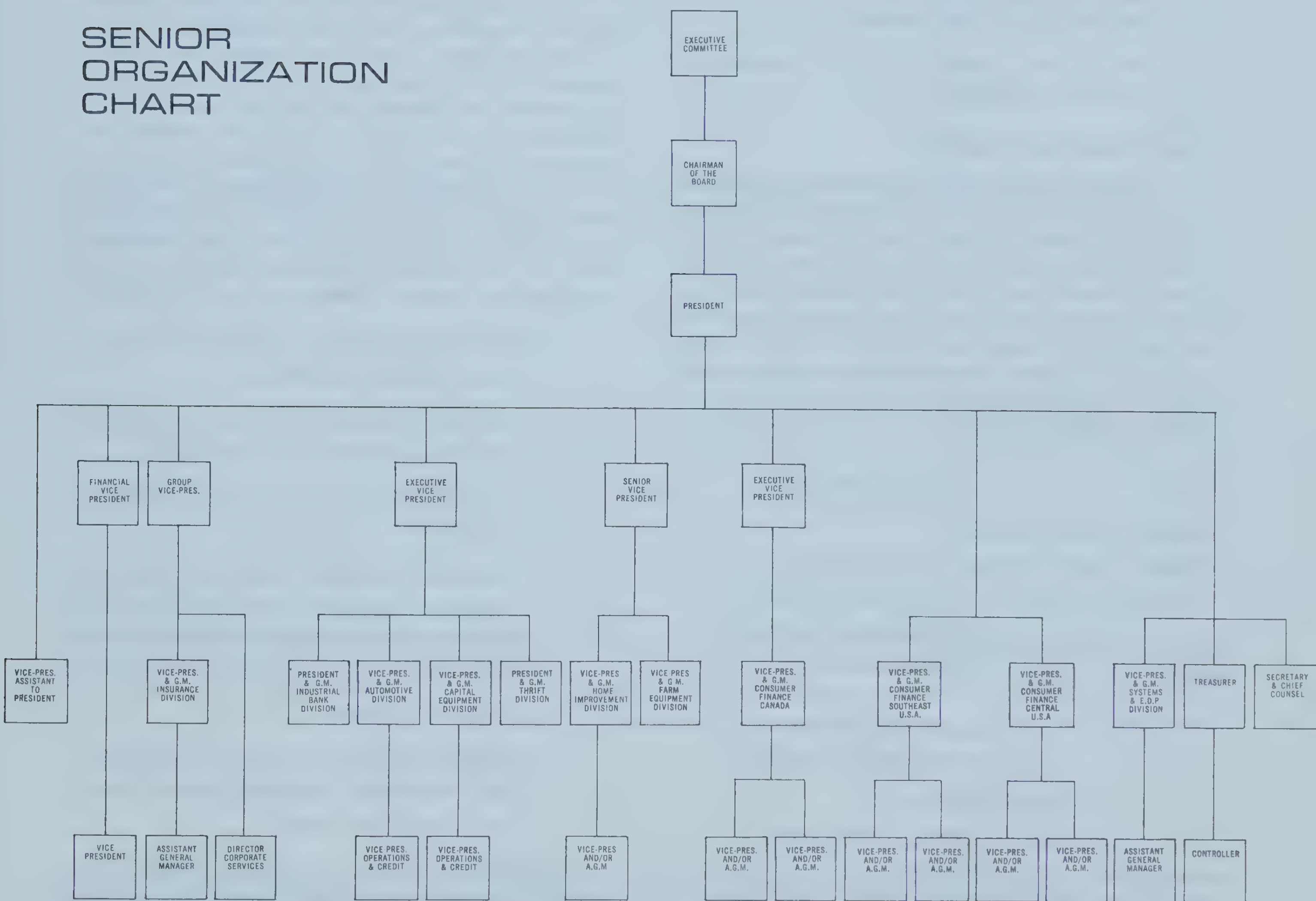
T. Jackson - President and General Manager, Industrial Bank Division, started with Colorado Industrial Bank in 1948 and progressed through all supervisory and executive capacities prior to becoming President of the Industrial Bank Division in 1967; married, age 45.

S. Nemirow - President and General Manager, Thrift Division, started with Colorado Industrial Bank in 1948, progressed through all supervisory and executive capacities, and was appointed President of the Thrift Division in 1966; married, age 47.

C. L. Newton - Vice-President and General Manager, Canadian Consumer Finance Division, has more than 21 years experience in the finance industry, joined the Company in 1958 after being with Household Finance and Citizens Finance; married, age 45.

S. S. Sheldon - Vice-President and General Manager, Home Improvement Division, has more than 15 years experience in the finance business including 8 years with Universal CIT Credit Corporation; married, age 38.

SENIOR ORGANIZATION CHART



B. MANAGEMENT CONTROLS

Management control is exercised through a well defined management organizational structure. Because of the rapid growth of the Company, this structure is continually revised as the need for new responsibilities or functions develop.

The organizational structure varies among the divisions; however, on the average each regional manager directly supervises approximately nine branches. Depending upon the individual division a branch will receive from two to five regular inspections a year. This number may be doubled by additional special visits.

An essential element of the organizational control is the separation of the accounting, data processing and treasury functions from the line organization. These departments report directly to the president.

Other areas through which management maintains control are:

Credit Approval Structure

Each division has a well defined and controlled credit approval structure. The structure is designed to allow routine credit decisions to be made at the branch level and progressively higher limits of credit approval to be controlled by more senior management. The credit approval structure of the Capital Equipment Division, which represents 6.5% of total outstandings and which makes the largest individual loans in the Company, is set out below:

Credit Limit	*Required Approval*
$30,000	Branch Manager
$45,000	Branch Manager & District Manager
$75,000	Any two of - General Credit Manager - V.P. Operations & Credit - General Manager
over $75,000	1. One of General Credit Manager or V.P. Operations & Credit 2. General Manager 3. One of - Chairman of the Board - President - Executive V.P.

A general policy of the division is to advance no more than $250,000 to any one customer. There are currently nine customers whose outstanding balances exceed this amount.

Management Audit

The primary function of the Management Audit department, which reports directly to the Audit Committee of the Board of Directors, is to assist management in independently appraising performance and in safeguarding assets. The management audit program is co-ordinated with that of Arthur Young & Company, the Company's public accountants. Each year approximately 1/4 of the Company's offices, representing each division, receive surprise audits under the combined programs.

The management audit program includes direct confirmation, on a test basis, of customer accounts. Controlled statistical sampling is used so that inferences can be drawn as to the nature of the accounts as a whole in the offices tested.

Accounting and Statistical Data

The Company has one of the most sophisticated accounting and data processing centers in the industry. Under the system all branch records can be duplicated on head office data processing equipment within 96 hours of the transaction. With this centralized control of records the accounting and data processing centers are able to provide various levels of management with key operating statistics on a daily, weekly and monthly basis. For instance, some of the monthly statistics supplied to the Automotive Division management are as follows:

1. Branch profit and loss statements comparing budget and actual.
2. Deferred income based on a separate calculation for each retail account.
3. Audited delinquency figures on all retail accounts.
4. Listings of selected detail of all retail and wholesale accounts including any differences between head office and branch balances.
5. Wholesale ageing.
6. Individual account listings of repossession liquidation indicating, where applicable, the related loss.

Various other vital statistics are produced monthly on the basis of each dealer, branch and region as well as for the division as a whole. Excerpts of these reports are set out on the following page.

YEAR:

ANALYSIS OF AUTOMOTIVE DIVISION

BR./DLR.:

MONTH	TOTAL OUTSTANDING			EXT. % TO O/S	DELINQ. 30 + % TO O/S	DLR. RESERVE		WHOLESALE					REPO. FREQ.		% YIELD		
	# OF ACCOUNTS	AMOUNT	AVG. BAL.			REG. & SPEC.	H.B.	LIQUIDATIONS	OUTSTANDING		AGED - 6 MO. +		UNITS	AMT.	ANTICIPATED	ACTUAL	ACTUAL AFTER LOSSES
									NEW	USED	NEW	USED	% TO O/S	% TO O/S			

MONTH	VOLUME						CREDIT LOSSES — DOLLARS				L.H.A. INSURANCE — DOLLARS		
	AUTO	MOBILE HOME	COMMERCIAL VEHICLE		OTHER	TOTAL	GROSS	RECOVERIES	NET	% TO LIQU.	PREMIUMS	LOSSES	% LOSS RATIO
			NEW	USED									

MONTH	VOLUME (DOLLARS)	% DOWN PAY.		% OF VOLUME				ADV. TO DLR. COST		% YIELD		OUTSTANDING		REPO. FREQ.	
		LESS THAN 25%	LESS THAN 15%	BALLOON	IRREG.	OVER 36 MOS.	DOUBLE HEADER	101% TO 105%	106% & OVER	ANTICIPATED	ACTUAL	UNITS	AMOUNT	UNITS % TO O/S	AMT. % TO O/S

MONTH	# OF RETAIL ACCOUNTS	ACCOUNTS EXTENDED - VOLUME				TOTAL EXTENDED ACCOUNTS - THOUSANDS								AVG. MAT.
		ACCOUNTS		DOLLARS		30 DAYS		60 DAYS		90 DAYS		OVER 90 DAYS		
		#	% TO O/S	AMOUNT	% TO O/S	AMOUNT	% TO O/S	AMOUNT	% TO O/S	AMOUNT	% TO O/S	AMOUNT	% TO O/S	

MONTH	RETAIL NOTES REC.	OTHER NOTES REC.			EARNINGS % TO F.E.	ACCTS PER EMP.	EXP. PER 100 ACCTS	EXP. PER $1000 F.E.	RETAIL NOTES O/S STATISTICS - THOUSANDS							
		WHOLESALE	CAPITAL LOANS	% TO RETAIL					LEASE		DEMONSTRATOR		RE-FINANCE		BALLOON	
									AMOUNT	% TO O/S	AMOUNT	% TO O/S	AMOUNT	% TO O/S	AMOUNT	% TO O/S

MONTH	INCOME				CREDIT LOSSES	NET INCOME	GROSS DEALER RESERVE	% YIELD	MISCELLANEOUS VOLUME STATISTICS							
	EARNED DISCOUNT	WHOLESALE INTEREST	CAP. LOAN INTEREST	MISC.					ORIGINAL TERM			% LEASE	% DEMO.	% RE-FIN.	BALLOON	
									% 1-36	% 37-60	% 61 +				%	AVG. TM.

MONTH	REPOSSESSION VOLUME				REPOSSESSION ON HAND				REPOSSESSION LOSSES - % TO LIQUIDATIONS						TOTAL VOLUME
	UNITS		AMOUNT		UNITS		AMOUNT		NEW AUTO	CURRENT USED AUTO	NON-CUR. USED AUTO	ALL OTHER	TOTAL		
	#	% TO O/S	DOLLARS	% TO O/S	#	% TO O/S	DOLLARS	% TO O/S					%	DOLLARS	

SECTION 2

FINANCIAL STATEMENTS AND LONG FORM REPORT

AVCO DELTA CORPORATION

CONSOLIDATED FINANCIAL POSITION

ASSETS	May 31, 1968	November 30, 1967	May 31, 1967
Cash	$ 32,809,283	$ 37,170,806	$ 20,741,281
Marketable securities, at cost (approximate market)	467,435	951,278	2,194,285
Receivables (including amounts due after one year):			
Retail installment	285,417,753	267,256,918	251,833,517
Loans	232,963,261	212,088,896	196,374,254
Wholesale (on Avco New Idea farm equipment)	41,967,675	31,347,929	29,112,573
Other wholesale and miscellaneous	12,832,678	9,511,534	11,100,389
	573,181,367	520,205,277	488,420,733
Unearned discount and service charges	(72,108,808)	(63,959,974)	(57,694,136)
Allowance for losses	(10,210,048)	(9,344,050)	(8,463,063)
Net receivables	490,862,511	446,901,253	422,263,534
Other current assets	2,907,689	2,502,601	3,380,753
TOTAL CURRENT ASSETS	527,046,918	487,525,938	448,579,853
Net assets of insurance subsidiaries (Note 1)	8,314,331	7,576,669	6,989,232
Property and equipment and deferred expenses at cost less accumulated depreciation and amortization (Note 1)	5,204,926	4,089,875	3,754,474
Excess of cost of investments in subsidiaries over acquired equity in net assets being carried without amortization (Note 1)	14,657,254	14,656,233	13,824,567
TOTAL ASSETS	$555,223,429	$513,848,715	$473,148,126

LIABILITIES AND STOCKHOLDERS' EQUITY	May 31, 1968	November 30, 1967	May 31, 1967
Notes payable:			
Banks	$ 74,279,592	$ 69,329,592	$ 76,085,000
Commercial paper	131,564,750	100,487,250	97,734,500
Long term debt installments due within one year	12,989,108	11,166,938	6,577,938
Savings deposits	14,045,865	13,933,683	13,605,722
Accounts payable and accrued liabilities	10,705,120	10,593,685	10,127,242
U.S. federal and Canadian income taxes	353,118	2,824,386	2,204,504
Dealers' reserves and holdbacks	2,318,656	2,619,375	2,563,677
TOTAL CURRENT LIABILITIES	246,256,209	210,954,909	208,898,583
Long term debt (Notes 1 and 2)	228,862,838	226,186,500	191,361,751
Minority interest in subsidiary	4,076,929	4,406,136	4,747,035
STOCKHOLDERS' EQUITY:			
Capital stock, no par value Authorized 1,000 shares Issued and outstanding 838 shares	33,850,000	33,850,000	33,850,000
Additional paid-in capital (Note 1)	20,703,045	20,687,645	19,834,675
Retained earnings (Notes 1 and 3)	21,474,408	17,763,525	14,456,082
TOTAL STOCKHOLDERS' EQUITY	76,027,453	72,301,170	68,140,757
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$555,223,429	$513,848,715	$473,148,126

See accompanying notes page 13

CONSOLIDATED EARNINGS

	Six Months Ending May 31, 1968	Second Quarter Ending May 31, 1968	Six Months Ending May 31, 1967	Second Quarter Ending May 31, 1967
Interest, discount and service charges of finance companies	$37,994,402	$18,967,069	$33,927,932	$17,292,145
Income of insurance subsidiaries before income taxes	992,852	953,248	743,039	434,425
	38,987,254	19,920,317	34,670,971	17,726,570
Expenses				
Interest and debt expense	13,334,092	6,930,592	10,789,197	5,367,373
Provision for losses on collection of receivables	3,496,793	1,865,425	3,496,854	1,849,048
Other operating expenses	14,987,744	6,969,031	13,515,217	6,738,359
U.S. federal and Canadian income taxes	3,340,000	1,909,000	3,250,000	1,735,000
	35,158,629	17,674,048	31,051,268	15,689,780
Earnings before minority interest	3,828,625	2,246,269	3,619,703	2,036,790
Preferred stock dividends paid by subsidiary	117,742	54,251	135,503	67,788
NET EARNINGS	3,710,883	2,192,018	3,484,200	1,969,002
Retained earnings at the beginning of the period	17,763,525	19,282,390	10,971,882	12,487,080
Retained earnings at the end of the period (Notes 1 and 3)	$21,474,408	$21,474,408	$14,456,082	$14,456,082

See accompanying notes page 13

AVCO DELTA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1968

NOTE 1 — PRINCIPLES OF CONSOLIDATION

Avco Delta Corporation is a wholly owned subsidiary of Avco Corporation. Avco assists Avco Delta in arranging and obtaining financing, and Avco Delta purchases wholesale receivables acquired by Avco in the sale of farm equipment; in all other material respects the operations of Avco Delta are separate and distinct from those of Avco.

The consolidated financial statements of Avco Delta include the accounts of all subsidiaries except insurance companies; combined assets ($22,441,471) less combined liabilities ($14,127,140) of insurance companies are shown separately in the Statement of Consolidated Financial Position and their income before income taxes is shown separately in the Statement of Consolidated Earnings.

The consolidated financial statements include the accounts of an "Unconsolidated Subsidiary," as defined in the agreements relating to the notes payable. Included are approximately $1,500,000 of fixed assets and $1,440,196 of senior notes payable with respect to this subsidiary.

Canadian dollar amounts have been translated at the established rate of exchange of $1 Canadian = $.925 U.S. At May 31, 1968, $242,011,195 of current assets and $7,374,633 of current liabilities and long term debt were represented by accounts to be settled in Canadian funds.

During 1968, Avco acquired a portion of the minority interest in a subsidiary of Avco Delta and contributed the shares at its cost of $15,400 to the additional paid-in capital of Avco Delta.

Also during 1967 in connection with a pooling of interests of Avco Corporation and The Paul Revere Corporation —

(i) the amount, at which a capital contribution by Avco of Avco Delta Canada shares to Avco Delta was previously stated, has been reduced by $44,073,989 to the amount of the net assets acquired.

(ii) retained earnings was increased by $2,510,201.

These changes have been reflected in the accompanying financial statements as of the beginning of the period shown.

NOTE 2 — LONG TERM DEBT

At May 31, 1968 long term debt consisted of:	
Senior notes payable — 5% to 7¾% maturing annually to April 1, 1983 - - - -	$171,494,446
Senior subordinated notes payable—5¼% to 6¾% maturing annually to September 1, 1981	40,874,375
Junior subordinated notes payable — 5⅝% to 7¼% maturing annually to November 15, 1980 - - - - - - -	29,483,125
	241,851,946
Installments due within one year (included in current liabilities)	(12,989,108)
	$228,862,838

At May 31, 1968, Avco Delta had firm commitments from lenders for the closing of $3,250,000 long term debt in 1968.

NOTE 3 — RETAINED EARNINGS

Under the agreements relating to the notes payable all of Avco Delta's retained earnings as at May 31, 1968 was restricted as to the payment of cash dividends on capital stock.

NOTE 4 — SUBSEQUENT EVENTS

In June 1968, shares representing a majority interest in a home improvement finance company, with outstandings of approximately $46,200,000 were received as a capital contribution from Avco Corporation.

NOTE 5 — CERTIFICATION

The accompanying financial statements are certified by the undersigned financial officer of the Company subject to audit and normal year end adjustments.

President

SUPPLEMENTARY INFORMATION AND STATISTICAL ANALYSES

Following herein is supplementary information with respect to consolidated results of operations for the six months ended May 31, 1968 and the consolidated financial position at that date. This also includes more detailed comments upon, or explanations of, certain of the asset and liability accounts appearing in the Statement of Consolidated Financial Position at May 31, 1968.

All figures for the periods ended November 30, 1964 are those of Avco Delta Corporation Canada Limited (formerly Delta Acceptance Corporation Limited) and its subsidiaries prior to acquisition by Avco Delta Corporation on December 7, 1964. These figures have been converted to U.S. funds at the appropriate rates of exchange. Also, it should be noted that operating results of 1964 include only an eleven month period.

OPERATIONS

COMPARATIVE SUMMARY

The following summary shows the consolidated results of operations for the six months ended May 31, 1968 in comparison with the six months ended May 31, 1967.

	Six Months 1968		Six Months 1967		
	AMOUNT	PERCENTAGE OF TOTAL INCOME	AMOUNT	PERCENTAGE OF TOTAL INCOME	INCREASE OR (DECREASE)
INCOME					
Interest, discount and service charges of finance companies	$37,994,402	97.5%	$33,927,932	97.9%	(.4)%
Income of insurance subsidiaries before income taxes	992,852	2.5	743,039	2.1	.4
	38,987,254	100.0	34,670,971	100.0	—
EXPENSES					
Interest and debt expense	13,334,092	34.2	10,789,197	31.1	3.1
Provision for losses on collection of receivables	3,496,793	9.0	3,496,854	10.1	(1.1)
Other operating expenses	14,987,744	38.4	13,515,217	39.0	(.6)
	31,818,629	81.6	27,801,268	80.2	1.4
Earnings before income tax and minority interest	7,168,625	18.4	6,869,703	19.8	(1.4)
U.S. federal and Canadian income taxes	3,340,000	8.6	3,250,000	9.4	(.8)
Preferred stock dividends paid by subsidiary	117,742	.3	135,503	.4	(.1)
Net earnings	$ 3,710,883	9.5%	$ 3,484,200	10.0%	(.5)%

A five year comparison of CONSOLIDATED EARNINGS is set out below:

	(6 mo.) 1968	1967	1966	1965	1964
INCOME			(Thousands of Dollars)		
Interest, discount and service charges of finance companies - -	**$37,994**	$69,046	$56,279	$40,317	$27,107
Income of insurance subsidiaries before income taxes - - - - -	**993**	1,619	1,649	881	369
	38,987	70,665	57,928	41,198	27,476
EXPENSES					
Interest and debt expense - - -	**13,334**	22,127	17,697	11,716	8,149
Provision for losses on collection of receivables - - -	**3,497**	7,849	6,345	5,211	3,456
Other operating expenses including depreciation - - -	**14,987**	27,483	23,011	16,198	10,845
U.S. federal and Canadian income taxes - - - - - -	**3,340**	6,152	5,588	4,046	2,330
	35,158	63,611	52,641	37,171	24,780
Earnings before minority interest - -	**3,829**	7,054	5,287	4,027	2,696
Preferred stock dividends paid by a subsidiary (Avco Delta Corporation Canada Limited) - - - - - -	**118**	262	386	466	—
NET EARNINGS - - - - - - -	**$ 3,711**	$ 6,792	$ 4,901	$ 3,561	$ 2,696

Note: Figures for 1964 are those of Avco Delta Corporation Canada Limited and have been converted to United States Dollars at appropriate rates of exchange. Due to a fiscal year end change from December 31 to November 30 these figures are for an eleven month period. Preferred stock dividends in this year did not enter into the determination of net earnings.

FINANCIAL POSITION

Set out below are details of certain of the assets and liabilities shown on the statement of Consolidated Financial Position as at May 31, 1968.

RECEIVABLES		**$573,181,367**	
LESS — UNEARNED DISCOUNT AND SERVICE CHARGES	**$72,108,808**		
— ALLOWANCE FOR LOSSES	**10,210,048**	**82,318,856**	**$490,862,511**

Details of receivables at May 31, 1968 and November 30, 1967 are as follows:

	1968	1967
RETAIL INSTALLMENT	$285,417,753	$267,256,918
LOANS	232,963,261	212,088,896
WHOLESALE (on Avco New Idea Farm Equipment)	41,967,675	31,347,929
OTHER WHOLESALE	11,130,562	7,537,191
CAPITAL LOANS	957,204	906,815
	572,436,455	519,137,749
ACCRUED INTEREST	744,912	1,067,528
	$573,181,367	$520,205,277

Statistical analyses of contracts receivable as to type of collateral, maturity, volume and liquidation and delinquency are set out below:

The maturities at May 31, 1968 of retail installment receivables of $285,417,753, loans of $232,963,261 and capital loans of $957,204 totalling $519,338,218 are shown below along with the corresponding maturities for November 30, 1967. The terms of these receivables require monthly installment payments.

	May 31, 1968		November 30, 1967	
	Amount	%	Amount	%
Past due installments	$ 2,684,364	.5%	$ 3,791,859	.8%
Installments due within one year excluding past dues	229,669,856	44.2	215,607,258	44.9
Total due within one year	232,354,220	44.7	219,399,117	45.7
13 - 24 months	160,790,287	31.0	147,783,155	30.8
25 - 36 months	79,039,535	15.2	69,907,736	14.5
37 - 48 months	28,241,689	5.4	25,584,604	5.3
49 - 60 months	12,384,940	2.4	11,386,028	2.4
Over 60 months	6,527,547	1.3	6,191,989	1.3
	519,338,218	100.0%	480,252,629	100.0%
Wholesale	53,098,237		38,885,120	
Accrued interest	744,912		1,067,528	
Total receivables	$573,181,367		$520,205,277	

ANALYSIS OF CONTRACTS RECEIVABLE, VOLUME AND LIQUIDATION BY TYPE OF COLLATERAL

Kind of Paper	November 30, 1967 Balance	%	Volume of contracts purchased during the period	Liquidation during the period**	May 31, 1968 Balance	%
RETAIL INSTALLMENT						
New automobiles	$ 28,671,547	5.52%	$ 12,572,201	$ 14,070,821	$ 27,172,927	4.75%
Used automobiles	11,267,671	2.17	6,534,975	6,746,345	11,056,301	1.95
Mobile homes	7,766,282	1.50	3,709,311	2,110,803	9,364,790	1.64
Capital equipment	32,568,334	6.27	17,831,188	13,425,120	36,974,402	6.46
Home improvement	90,414,608	17.42	25,850,546	21,842,476	94,422,678	16.49
Real property	24,922,553	4.80	7,873,380	7,761,933	25,034,000	4.37
Farm equipment	23,041,716	4.44	11,552,000	7,746,353	26,847,363	4.69
Household goods and/or automobiles*	40,171,063	7.74	35,149,112	31,512,974	43,807,201	7.64
Other	8,433,144	1.62	6,460,790	4,155,843	10,738,091	1.87
Total retail	267,256,918	51.48	127,533,503	109,372,668	285,417,753	49.86
LOANS						
Automobiles	9,355,234	1.80	8,588,543	6,156,160	11,787,617	2.05
Household goods	97,300,291	18.74	82,386,448	55,376,552	124,310,187	21.72
Household goods and automobiles	90,298,183	17.39	49,489,350	59,337,995	80,449,538	14.05
Other	15,135,188	2.92	14,207,449	12,926,718	16,415,919	2.87
Total loans	212,088,896	40.85	154,671,790	133,797,425	232,963,261	40.69
WHOLESALE						
New automobiles	5,019,022	.97	24,863,902	21,636,188	8,246,736	1.44
Used automobiles	205,216	.04	846,905	875,958	176,163	.03
Mobile homes	580,683	.11	2,255,897	1,701,222	1,135,358	.20
Farm equipment	31,347,929	6.04	27,909,787	17,290,041	41,967,675	7.33
Other	1,732,270	.33	2,658,394	2,818,359	1,572,305	.28
Total wholesale	38,885,120	7.49	58,534,885	44,321,768	53,098,237	9.28
CAPITAL LOANS	906,815	.18	221,111	170,722	957,204	.17
	519,137,749	100.00%	$340,961,289	287,662,583	572,436,455	100.00%
ACCRUED INTEREST	1,067,528			322,616	744,912	
TOTAL	$520,205,277			$287,985,199	$573,181,367	

**Primarily household goods acquired through dealers by divisions specializing in direct lending.*
***Includes notes charged off during the year.*

The number of accounts outstanding as well as the average balance and average maturity of receivables as of May 31, 1968 are as follows:

Division	Number of accounts (excluding wholesale)	Average Balance	Average maturity in months May 1968	Average maturity in months November 1967
Automotive	27,519	$ 2,164	22	21
Capital Equipment	2,227	16,603	17	17
Farm Equipment	7,290	3,683	22	25
Home Improvement	56,573	2,112	39	41
Banking	43,379	739	17	17
Thrift	26,510	548	17	17
Canadian Consumer Finance	237,857	708	19	19
U.S. Consumer Finance	106,429	587	18	18
Total Company	507,784	$1,024		

ANALYSIS OF VOLUME OF BUSINESS BY TYPE OF COLLATERAL

(Thousands of Dollars)

Kind of paper	Six Months 1968		1967		1966		1965		1964	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
RETAIL INSTALLMENT										
New automobiles	$ 12,572	3.7%	$ 23,742	4.1%	$ 28,095	5.6%	$ 29,124	7.8%	$ 31,056	11.4%
Used automobiles	6,535	1.9	11,329	2.0	15,034	2.9	19,396	5.2	22,117	8.1
Mobile homes	3,709	1.1	5,667	1.0	3,800	.7	2,449	.7	2,222	.8
Capital equipment	17,831	5.2	26,075	4.5	23,991	4.7	25,749	6.9	16,790	6.1
Home improvement	25,851	7.6	43,592	7.5	41,507	8.1	55,724*	15.0	38,860*	14.2
Real property	7,873	2.3	15,312	2.6	11,671	2.2				
Farm equipment	11,552	3.4	24,791	4.3	10,192	2.0				
Other**	41,610	12.2	65,384	11.2	60,996	11.8	34,072	9.2	19,229	7.0
Total retail	127,533	37.4	215,892	37.2	195,286	38.0	166,514	44.8	130,274	47.6
LOANS										
Automobiles	8,589	2.5	11,968	2.1	10,745	2.1	7,867	2.1	4,545	1.7
Household goods	82,386	24.1	126,471	21.7	117,924	22.9	76,716	20.6	51,816	18.9
Household goods and automobiles	49,489	14.5	98,003	16.9	61,892	12.0	52,144	14.0	38,015	13.9
Other	14,208	4.2	24,069	4.2	34,795	6.8	16,779	4.5	7,436	2.8
Total loans	154,672	45.3	260,511	44.9	225,356	43.8	153,506	41.2	101,812	37.3
WHOLESALE										
New automobiles	24,864	7.3	44,548	7.7	49,033	9.6	44,164	11.8	34,261	12.5
Used automobiles	847	.2	1,864	.3	2,082	.4	2,176	.6	2,858	1.0
Mobile homes	2,256	.7	3,075	.5	2,135	.4	1,726	.5	1,624	.6
Farm equipment	27,910	8.2	49,787	8.6	35,017	6.8				
Other	2,658	.8	4,101	.7	5,334	1.0	3,434	.9	1,780	.7
Total wholesale	58,535	17.2	103,375	17.8	93,601	18.2	51,500	13.8	40,523	14.8
CAPITAL LOANS	221	.1	660	.1	212	—	812	.2	906	.3
TOTAL VOLUME	$340,961	100.0%	$580,438	100.0%	$514,455	100.0%	$372,332	100.0%	$273,515	100.0%

**Includes contracts secured by real property for which amounts are not available.*

***Includes conditional sales agreements, covering primarily household goods and/or used automobiles acquired through dealers by divisions specializing in direct lending.*

Note: Figures for 1964 are those of Avco Delta Corporation Canada Limited and due to a fiscal year end change from December 31 to November 30 are for an eleven month period.

The following is an analysis of delinquent accounts at May 31, 1968:

	Number of Accounts	Amount	Percentage of related outstandings	
			May 31, 1968	November 30, 1967
Interest bearing loans:				
90 day accounts — no collections received for 90 days or more - - - -	2,086	$ 852,919	**1.26%**	1.35%
60 - 89 day accounts — no collections received for 60 to 89 days - - - - -	2,504	1,052,284	**1.55**	1.02
Interest only accounts - - - - - -	1,130	654,862	**.96**	.74
	5,720	2,560,065	**3.77%**	3.11%
Precomputed loans and contracts:				
60 day accounts — one or more installments more than 60 days past due - -		8,967,583	**1.99%**	1.77%
TOTAL - - - - - - - -		$11,527,648	**2.22%**	1.95%

UNEARNED DISCOUNT AND SERVICE CHARGES of $72,108,808 represent the portion of interest and other finance charges included in the original face amount of related contracts receivable which is deemed to be unearned as at May 31, 1968.

The net finance charges on discounted receivables acquired are credited to unearned discount and service charges. A portion of such charges, generally 15%, is taken into income at the time of the purchase of each contract to offset acquistition costs. The remainder of the finance charge is transferred to income over the periods covered by the notes, in diminishing monthly amounts proportionate to the decreasing balances of the receivables (sum-of-digits method).

Interest on loans which do not include interest or finance charges in the original face amount is taken into income as earned and interest accrued at the respective balance sheet dates has been included with contracts receivable.

Unearned discount and service charges as related to each division are set out below:

	May 31, 1968		November 30, 1967	
DIVISION	Amount	Ratio to related receivables	Amount	Ratio to related receivables
	(Thousands of Dollars)			
Automotive - - - - - - -	$ 7,314	12.5%	$ 5,700	10.9%
Capital Equipment - - - - - -	3,745	10.1	3,309	10.2
Consumer Finance:				
Canadian —				
Conditional sales contracts - -	1,747	10.8	1,546	10.3
Large loans - - - - - -	17,649	19.1	14,990	18.0
	19,396	17.8	16,536	16.8
United States —				
Conditional sales contracts - -	1,023	10.1	834	9.4
Small loans - - - - - -	5,386	17.4	4,438	17.0
Large loans - - - - - -	2,048	14.7	1,858	14.7
	8,457	15.4	7,130	15.0
Banking				
Conditional sales contracts - -	949	9.8	943	9.9
Consumer loans - - - - - -	3,279	15.8	3,129	15.4
	4,228	13.9	4,072	13.6
Thrift				
Conditional sales contracts - -	827	10.6	810	11.8
Consumer loans - - - - - -	897	13.4	736	14.2
	1,724	11.9	1,546	12.9
Home Improvement - - - - -	23,587	19.7	22,441	19.5
Farm Equipment - - - - - -	3,658	13.6	3,226	14.0
Total - - - - - - -	$72,109	16.0%	$63,960	15.6%

A summary of the **ALLOWANCE FOR LOSSES** for the six months ended May 31, 1968 follows:

Balance November 30, 1967 - -	$9,344,050
Provision for losses charged to operations - - - - -	3,496,793
Allowance for losses acquired on the purchase of subsidiary company - - - - - - -	22,646
	12,863,489
Losses less recoveries of $765,057 - - - - - - -	2,653,441
Balance May 31, 1968 - - -	$10,210,048

Accounts are reviewed continually by supervision and management and it is the Company's policy to write off all known losses, including the excess of repossession inventory over market value thereof, as they are ascertained regardless of the state of delinquency. The allowance for losses is determined for wholesale, capital loans and large capital equipment loans on a specific account basis and for all other accounts as a percentage of outstandings having regard to the Company's loss to liquidation experience.

The allowance for losses and their relation to receivables outstanding as well as the net losses to liquidation for the years 1964 to 1967 and the six months ended May 31, 1968 are as follows:

DIVISION	PERIOD	ALLOWANCE FOR LOSSES (Thousands of Dollars)	RELATED RECEIVABLES (1) (Thousands of Dollars)	RATIO	LOSSES LESS RECOVERIES (2) (Thousands of Dollars)	LIQUIDATION DURING PERIOD (3) (Thousands of Dollars)	RATIO
Automotive - -	**1968**	**$ 1,035**	**$ 59,289**	**1.75%**	**$ 129**	**$ 27,020**	**.48%**
	1967	904	57,112	1.58	821	54,863	1.50
Capital Equipment -	**1968**	**748**	**36,974**	**2.02**	**154**	**13,244**	**1.16**
	1967	655	32,568	2.00	479	24,081	1.99
Home Improvement -	**1968**	**2,404**	**119,457**	**2.01**	**780**	**28,747**	**2.71**
	1967	2,318	115,337	2.01	1,568	42,493	3.69
Farm Equipment - -	**1968**	**464**	**26.847**	**1.73**	**94**	**7,648**	**1.24**
	1967	394	23,042	1.71	108	10,962	.99
Consumer Finance — Canada - -	**1968**	**3,356**	**168,415**	**2.00**	**766**	**106,489**	**.72**
	1967	3,087	155,055	2.00	1,510	179,863	.84
— U.S. - - - -	**1968**	**1,249**	**62,505**	**2.00**	**493**	**34,888**	**1.41**
	1967	1,085	54,374	2.00	874	56,320	1.55
Industrial Bank - -	**1968**	**663**	**32,075**	**2.07**	**219**	**15,243**	**1.44**
	1967	657	31,754	2.07	411	28,067	1.46
Thrift - - - - -	**1968**	**291**	**14,521**	**2.00**	**18**	**7,123**	**.25**
	1967	244	12,078	2.02	308	10,761	2.86
TOTAL COMPANY -	**1968**	**10,210**	**520,083**	**1.97**	**2,653**	**240,402**	**1.10**
	1967	9,344	481,320	1.94	6,079	407,410	1.49
	1966	7,574	418,780	1.81	4,736	334,910	1.41
	1965	5,735	329,422	1.74	3,741	242,229	1.54
	1964(4)	3,574	220,643	1.62	2,515	167,014	1.51

(1) Excludes wholesale receivables
(2) Includes wholesale losses
(3) Excludes notes charged off and wholesale liquidation
(4) Eleven month period

The relation of losses to the average outstanding Loans for 1965 to 1968 are as follows:

YEAR	AVERAGE OUTSTANDING	LOSSES LESS RECOVERIES	RATIO OF LOSSES (NET OF RECOVERIES) TO AVERAGE OUTSTANDINGS
	(Thousands of Dollars)		
1968	$223,884	$1,355	1.22%
1967	196,343	2,614	1.33
1966	155,782	1,824	1.17
1965	106,258	1,208	1.14

OTHER CURRENT ASSETS — $2,907,689

Other current assets are summarized as follows:

Repossessions, foreclosures and property held for resale — at the lower of cost or market value	$1,143,408
Prepaid interest	491,116
Taxes recoverable	489,325
Experience dividends receivable from health and accident insurance companies	319,443
Mortgage receivable	175,000
Travel advances	75,886
Prepaid insurance	64,585
Deposits	32,315
Miscellaneous	116,611
	$2,907,689

Exchange losses previously charged to Canadian subsidiaries' retained earnings were determined to be deductible in 1965 and subsequent years. The tax recovery realized to November 30, 1967 amounted to $1,788,675 and all of the balance of $489,325 is expected to be realized in 1968.

NET ASSETS OF INSURANCE SUBSIDIARIES — $8,314,331

Net assets of subsidiary insurance companies at May 31, 1968 and November 30, 1967 consisted of:

	1968	1967
ASSETS:		
Cash	$ 1,388,290	$ 1,488,202
Amounts due from customers, insurance agents and re-insurance companies	1,601,136	2,252,822
Investments, at cost plus accrued interest — approximate market	18,912,883	15,134,901
Property and equipment at cost less accumulated depreciation and amortization	522,947	544,862
Other assets	16,215	758
Total assets	22,441,471	19,421,545
LIABILITIES:		
Provision for outstanding insurance claims	8,046,925	6,075,826
Unearned premiums	5,101,453	4,458,749
Accounts payable (including taxes)	978,762	1,310,301
Total liabilities	14,127,140	11,844,876
NET ASSETS	$ 8,314,331	$ 7,576,669

PROPERTY AND EQUIPMENT AND DEFERRED EXPENSES AT COST LESS ACCUMULATED DEPRECIATION AND AMORTIZATION — $5,204,926

Details of property and equipment and deferred expenses are set out below:

Land, buildings, furniture, fixtures and leasehold improvements at cost	$6,088,476		
Accumulated depreciation and amortization	(2,002,621)	$4,085,855	
Deferred expenses: (net of tax)			
Unamortized financing expenses	727,519		
Deferred branch opening expenses	391,552	1,119,071	$5,204,926

Depreciation and amortization were charged to income during the year on a basis consistent with that of the preceding year.

The Company has followed the practice of deferring commissions, legal and other expenses net of tax in connection with the issue of its notes and the preferred stock of a subsidiary. Note expenses are amortized over the lives of the respective issues and preferred stock expenses over a period of 60 months.

The Canadian Consumer Finance Division defers a portion of the operating expenses incurred by each new branch during its development period which is considered to be the first twelve months of operation. The amount deferred for each office is limited to $10,000 and is charged against operations during thirty-six months following completion of the development period. As it is the Company's policy to claim such expenses in full as a deduction from taxable income in the year in which they are incurred, the amount deferred in the accompanying consolidated financial position has been decreased by the resulting reduction in income taxes.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES — $10,705,120

These consist of:

Accrued interest payable on:		
Senior notes payable	$2,540,560	
Senior subordinated notes payable	635,935	
Junior subordinated notes payable	455,684	
Savings deposits	297,378	$ 3,929,557
Due to Avco affiliates including amounts withheld on wholesale advances to Avco New Idea		2,493,409
Accrued salaries and bonuses		435,121
Deferred wholesale billing		1,362,688
Credit life and physical damage insurance premiums payable		607,233
State and other taxes payable		574,460
Trade accounts payable		944,074
Accrued legal and audit		212,024
Employee tax deductions payable		125,429
Holdback on purchase of subsidiary company in 1966		21,125
		$10,705,120

SAVINGS DEPOSITS — $14,045,865

This represents savings deposits and certificates ($13,422,413), and debentures ($623,452), of Industrial Bank and Thrift subsidiaries. They yield the depositor interest varying in rate from 4% to 6%. The depositor has no checking privileges but can make withdrawals upon legally required notice.

DEALERS' RESERVES AND HOLDBACKS — $2,318,656

On the purchase of installment contracts from dealers and others, the Company withholds a portion of the purchase price for application against possible losses on contracts purchased and also to offset unearned discount and service charges rebated to customers on the prepayment of contracts. To a limited extent amounts withheld on contracts purchased represent an additional allowance for losses on receivables.

U.S. FEDERAL AND CANADIAN INCOME TAXES — $353,118

These consist entirely of federal and provincial corporation income taxes.

Taxes on income as filed in respect of Avco Delta Corporation and its subsidiaries have been paid to November 30, 1967. In addition the Companies have either paid or set aside adequate reserves for the payment of all taxes in respect of the six months ended May 31, 1968. These reserves include $158,000 related to the recent increase in the U.S. federal income tax rate which was retroactive to January 1, 1968.

Details of the years for which income taxes have been examined are as follows:

Avco Delta Corporation	Not Examined
Avco Delta Corporation Canada Limited and its Canadian subsidiaries	
— Government of Canada	1965
— Provincial	1965
Avco Delta Corporation of Massachusetts and its affiliated companies	
— Government of the United States of America	1964
Avco Finance Company and its subsidiaries	
— Government of the United States of America	1966
Avco New Idea Credit Corporation	
— Government of the United States of America	Not Examined
Colorado Industrial Bank and its affiliated companies including Citizens Finance Company and Avco Thrift Company	
— Government of the United States of America	1963

NOTES AND DEBENTURES PAYABLE

BANKS	**$ 74,279,592**	
COMMERCIAL PAPER	**131,564,750**	
LONG TERM DEBT	**241,851,946**	**$447,696,288**

Notes and debentures payable at May 31, 1968 are summarized as follows:

	Total	Due within one year
Senior notes:		
Short term series —		
Banks (Prime Rate):		
Payable in U.S. funds	$ 74,279,592	$ 74,279,592
Commercial paper:		
Payable in U.S. funds	131,148,500	
Payable in Canadian funds	416,250	
	131,564,750	131,564,750
Long term series — 5% to 7¾% Maturing annually to April 1, 1983	171,494,446	8,680,357
Senior subordinated notes — 5¼% to 6¾% Maturing annually to September 1, 1981	40,874,375	2,794,688
Junior subordinated notes — 5⅝% to 7¼% Maturing annually to November 15, 1980	29,483,125	1,514,063
	241,851,946	12,989,108
	$447,696,288	$218,833,450

At May 31, 1968 the Company had placed with lenders $3,250,000 in long term debt ($250,000 in senior debt and $3,000,000 in senior subordinated debt) which was not yet closed, but which was committed to close in 1968. The Company also has commitments from lenders to exchange $2,125,000 of senior debt and $300,000 of senior subordinated debt for $2,425,000 of junior subordinated debt in 1968.

Particulars of long term notes payable are as follows:

SENIOR NOTES PAYABLE — LONG TERM

	Annual Payment		Amount
5% due September 1, 1979	$ 100,000	1970 to 1979	$ 1,000,000
5⅛% due July 1, 1980	1,346,250	1968 to 1980	22,437,500
5⅜% due November 15, 1980	1,418,250	1968 to 1980	23,637,500
5½% due April 1, 1976	175,000	1969 to 1976	1,400,000
5½% due March 1, 1975	1,250,000	1969 to 1975	8,750,000
5¾% due August 1, 1969	205,000	1968 to 1969	410,000
5¾% due April 1, 1981	1,874,250	1969 to 1981	25,000,000
6% due June 1, 1973	800,000	1968 to 1973	4,800,000
6% due March 1, 1974	750,000	1969 to 1974	4,500,000
6⅛% due June 1, 1978*	46,250	1969 to 1978	462,500
6¼% due March 15, 1977*	27,750	1969 to 1977	249,750
6⅜% due September 15, 1971	300,000	1968 to 1971	1,100,000
6⅜% due June 1, 1978*	46,250	1969 to 1978	462,500
6½% due February 15, 1970	50,000	1969 to 1970	100,000
6½% due January 1, 1975	334,000	1969 to 1975	2,328,000
6½% due October 1, 1981	3,750,000	1969 to 1981	50,000,000
6¾% due March 15, 1977*	18,500	1969 to 1977	166,500
6⅞% due April 1, 1983	1,395,000	1971 to 1983	23,250,000
7¾% due January 1, 1975	205,742	1969 to 1975	1,440,196
Total senior notes payable			$171,494,446

SENIOR SUBORDINATED NOTES PAYABLE

	Annual Payment		Amount
5¼% due June 1, 1968	$ 150,000	1968	$ 150,000
5¼% due September 1, 1979	50,000	1970 to 1979	500,000
5⅜% due July 1, 1980	295,500	1968 to 1980	4,925,000
5½% due April 1, 1976	460,000	1969 to 1976	3,680,000
5½% due May 1, 1978	100,000	1969 to 1978	1,000,000
5⅝% due November 15, 1980	333,000	1968 to 1980	5,550,000
5¾% due January 1, 1970	60,000	1969 to 1970	120,000
6% due August 1, 1969*	127,187	1968 to 1969	254,375
6% due March 1, 1975	225,000	1969 to 1975	1,575,000
6% due April 1, 1976	100,000	1969 to 1976	800,000
6¼% due March 15, 1977	170,000	1969 to 1977	1,530,000
6⅜% due September 1, 1981	364,000	1968 to 1981	5,200,000
6½% due June 1, 1974	250,000	1968 to 1974	1,750,000
6½% due August 1, 1976	160,000	1968 to 1976	1,440,000
6¾% due September 1, 1979	868,000	1970 to 1979	12,400,000
Total senior subordinated notes payable			$ 40,874,375

JUNIOR SUBORDINATED NOTES PAYABLE

	Annual Payment		Amount
5⅝% due July 1, 1980	$ 300,000	1968 to 1980	$ 5,000,000
5⅞% due June 1, 1978	100,000	1969 to 1978	1,000,000
6% due April 1, 1976	280,000	1969 to 1976	2,240,000
6% due November 15, 1980	270,000	1968 to 1980	4,500,000
6¼% due April 15, 1970	300,000	1969 to 1970	450,000
6⅜% due March 1, 1975	150,000	1969 to 1975	1,050,000
6½% due August 1, 1969*	104,063	1968 to 1969	208,125
6½% due December 1, 1969	1,200,000	1969	1,200,000
6½% due September 15, 1970	55,000	1968 to 1970	165,000
6¾% due March 15, 1977	55,000	1969 to 1977	495,000
7¼% due September 1, 1979	922,250	1970 to 1979	13,175,000
Total junior subordinated notes payable			$ 29,483,125

*Payable in Canadian funds

The long term notes are held by various banks, institutional investors, and insurance companies. The following schedule details those lenders who hold an aggregate amount of long term notes in excess of $500,000. There are an additional 35 lenders who individually hold amounts of $500,000 or less.

Lender	Senior	Senior Subordinated	Junior Subordinated	Total
The Prudential Insurance Company of America	$ 22,250,000	$ 8,500,000	$ 6,250,000	$ 37,000,000
Metropolitan Insurance Company	28,360,000	—	5,250,000	33,610,000
John Hancock Mutual Life Insurance Company	19,431,200	925,000	3,575,000	23,931,200
New York Life Insurance Company	13,000,000	4,300,000	2,000,000	19,300,000
Investors Diversified Services	11,254,000	—	—	11,254,000
Aetna Life Insurance Company	7,400,000	2,800,000	1,000,000	11,200,000
Connecticut General Life Insurance Company	6,400,000	2,000,000	1,000,000	9,400,000
Equitable Life (N.Y.)	4,850,000	4,000,000	—	8,850,000
The Northwestern Mutual Life Insurance Company	5,800,000	2,980,000	—	8,780,000
New England Mutual Life Insurance Company	4,550,000	2,800,000	—	7,350,000
The Mutual Benefit Life Insurance Company	1,375,000	2,200,000	2,425,000	6,000,000
The Penn Mutual Life Insurance Company	6,000,000	—	—	6,000,000
The Lincoln National Life Insurance Company	2,736,600	1,650,000	1,550,000	5,936,600
First National Bank of Chicago	5,500,000	—	—	5,500,000
Massachusetts Mutual Life Insurance Company	2,000,000	3,280,000	—	5,280,000
Continental Assurance Company	4,765,600	—	—	4,765,600
Old Colony Trust Company	4,015,000	—	—	4,015,000
Phoenix Mutual Life Insurance Company	1,865,600	500,000	—	2,365,600
The Connecticut Mutual Life Insurance Company	700,000	800,000	800,000	2,300,000
The Franklin Life Insurance Company	2,000,000	—	—	2,000,000
Ford Foundation	1,440,196	—	—	1,440,196
State Mutual Life Assurance Company of America	—	524,375	913,125	1,437,500
Trustees of the Eaton Retirement Annuity Plan	1,341,250	—	—	1,341,250
Avco Corporation	875,000	350,000	—	1,225,000
The George Putnum Fund of Boston	—	—	1,165,000	1,165,000
Life & Casualty Insurance Company of Tennessee	1,000,000	—	—	1,000,000
Pacific Mutual Life Insurance Company	1,000,000	—	—	1,000,000
National Life Insurance Company	1,000,000	—	—	1,000,000
Sun Life Assurance Company of Canada	1,000,000	—	—	1,000,000
Bankers Life Insurance Company of Nebraska	—	900,000	—	900,000
Minnesota Mutual Life Insurance Company	—	200,000	640,000	840,000
Bankers Life Company Des Moines	750,000	—	—	750,000
Peoples Life Insurance Co.	750,000	—	—	750,000
The Northwestern National Life Insurance Company	—	525,000	175,000	700,000
Indianapolis Life Insurance Company	375,000	—	250,000	625,000
The Fidelity Mutual Life	600,000	—	—	600,000
Berkshire Life Insurance Company	600,000	—	—	600,000
Yale University	—	360,000	225,000	585,000
Guarantee Mutual Life Company	500,000	60,000	—	560,000
	165,484,446	39,654,375	27,218,125	232,356,946
Other Lenders	6,010,000	1,220,000	2,265,000	9,495,000
	$171,494,446	$ 40,874,375	$ 29,483,125	$241,851,946

The maturities on long term notes at May 31, 1968 are summarized as follows:

Year ending May 31	Total	Senior	Senior Subordinated	Junior Subordinated
1969	$ 12,989,108	$ 8,680,357	$ 2,794,688	$ 1,514,063
1970	17,842,086	12,533,337	2,644,687	2,664,062
1971	19,292,403	13,784,653	3,375,500	2,132,250
1972	19,149,622	13,696,872	3,375,500	2,077,250
1973	18,962,815	13,510,065	3,375,500	2,077,250
1974	18,977,062	13,524,312	3,375,500	2,077,250
1975	17,701,350	12,248,600	3,375,500	2,077,250
1976	15,025,250	10,197,500	2,900,500	1,927,250
1977	14,010,250	10,022,500	2,340,500	1,647,250
1978	13,579,000	9,976,250	2,010,500	1,592,250
1979	13,479,000	9,976,250	1,910,500	1,592,250
1980	20,959,000	9,883,750	5,630,500	5,444,750
1981	26,512,000	20,555,000	3,297,000	2,660,000
1982	6,863,000	6,395,000	468,000	——
1983	6,510,000	6,510,000	——	——
	$241,851,946	$171,494,446	$ 40,874,375	$ 29,483,125

LIQUIDITY

The estimated liquidation periods of the net current debt and the non current portion of the senior long term debt, are set out below. Cash, marketable securities and wholesale receivables have been assumed to be immediately available to liquidate the debt, and the installment receivables available as they mature (as indicated on page 16).

	May 31, 1968			November 30, 1967
Total current liabilities		$246,256,209		
Deduct:				
Cash	$32,809,283			
Marketable securities	467,435			
Wholesale receivables	53,098,237			
		86,374,955		
Net current debt		159,881,254		
Estimated liquidation period			8.2 mo.	6.8 mo.
Non current portion of senior long term debt		162,814,089		
Total		$322,695,343		
Estimated liquidation period			17.9 mo.	17.7 mo.

NOTE COVENANTS

Senior notes, senior subordinated notes and junior subordinated notes issued under the Note Agreements contain certain specific covenants by the Company which are summarized below:

(1) That it will not permit adjusted consolidated net worth (as defined in the agreement) to become less than $30,000,000.

(2) Indebtedness:

(A) That senior debt of the Company cannot in the aggregate principal amount exceed 375% of the sum of —

(i) adjusted consolidated net worth of the Company and its domestic subsidiaries and

(ii) senior subordinated debt of the Company and

(iii) junior subordinated debt of the Company

(See Item A below)

(B) That senior subordinated debt of the Company cannot in the aggregate principal amount exceed 50% of the sum of —

(i) adjusted consolidated net worth of the Company and

(ii) junior subordinated debt of the Company

(See Item B below)

(C) That junior subordinated debt of the Company cannot in the aggregate principal amount exceed 50% of the adjusted consolidated net worth of the Company. (See Item C below).

(D) That a minimum of 10% of the senior debt of the Company in the aggregate principal amount shall represent borrowings from commercial banks and trust companies under established lines of credit. (See Item D below).

ADJUSTED CONSOLIDATED NET WORTH

Capital stock	$ 33,850,000	
Additional paid-in capital	20,703,045	
Retained earnings	21,474,408	
	76,027,453	
Minority Interest —		
Avco Delta Corporation Canada Limited — Preference shares	4,075,273	$ 80,102,726
Deduct:		
Investment in, and advances to, an "Unconsolidated Subsidiary"	11,685	
Property and equipment (including $522,947 owned by insurance subsidiaries) and deferred expenses	4,227,873*	
Excess of cost of investments in subsidiaries over acquired equity in net assets	14,657,254	18,896,812
		$ 61,205,914

**Excludes $1,500,000 of property and equipment owned by an "Unconsolidated Subsidiary" as defined in the Note covenants.*

BORROWING RATIOS

ITEM A — **Senior Debt**

Senior debt:		
Senior notes payable	$375,898,592**	
Savings deposits (including savings debentures of $623,452)	14,045,865	
		$389,944,457
Adjusted consolidated net worth	61,205,914	
Senior subordinated debt	40,874,375	
Junior subordinated debt	29,483,125	$131,563,414
Permitted percentage		375.0%
Actual percentage		296.4%

***Excludes $1,440,196 of notes payable by an "Unconsolidated Subsidiary" as defined in the Note covenants.*

ITEM B — **Senior Subordinated Debt**

Senior subordinated notes payable - -		$ 40,874,375
Adjusted consolidated net worth - -	$ 61,205,914	
Junior subordinated debt - - - -	29,483,125	$ 90,689,039
Permitted percentage - - - - -		50.0%
Actual percentage - - - - - -		45.1%

ITEM C — **Junior Subordinated Debt**

Junior subordinated notes payable - -	$ 29,483,125
Adjusted consolidated net worth - -	$ 61,205,914
Permitted percentage - - - - -	50.0%
Actual percentage - - - - - -	48.2%

ITEM D — **Source of Senior Debt**

Senior debt (as shown in Item A) - -	$389,944,457
Senior debt due to commercial banks - and trust companies - - - -	$ 74,279,592
Required minimum percentage - - -	10.0%
Actual percentage - - - - - -	19.0%

Compliance with other specific covenants of the Notes require that

(i) the aggregate amount of debt owed by Canadian consolidated subsidiaries will not exceed 15% of the total senior debt of the Company and debt of domestic consolidated subsidiaries. As at May 31, 1968 Canadian debt amounted to $3,007,092 or only .8% of total senior debt.

(ii) the aggregate amount of debt to depositors of domestic consolidated subsidiaries (other than Canadian consolidated subsidiaries) engaged in the industrial bank and thrift business will not exceed 15% of receivables of the Company and its domestic consolidated subsidiaries. As at May 31, 1968 debt to depositors amounted to $13,422,413 or only 2.3% of total receivables.

(iii) the aggregate amount of debt owed by domestic consolidated subsidiaries, other than debt of Canadian consolidated subsidiaries and savings deposits owed by domestic consolidated subsidiaries engaged in the industrial bank and thrift business, will not exceed 10% of adjusted consolidated net worth. As at May 31, 1968, there was $623,-452 of such debt which amounted to 1.0% of adjusted consolidated net worth.

(iv) the adjusted consolidated net worth be reduced by the amount by which accounts receivable and other obligations arising from commercial financing exceeds 25% of receivables. At May 31, 1968 there is no excess as these receivables amount to only 6.5% of receivables.

(v) the aggregate amount of receivables (after deductions of applicable unearned income) representing obligations incurred for the alteration, repair, improvement or modernization of urban, suburban or rural real property or buildings thereon shall not exceed 30% of the amount (after deduction of applicable unearned income) of all receivables outstanding excluding wholesale. At May 31, 1968 these receivables amounted to only 16.9% of net receivables, as defined above.

Also set out below is a certificate submitted by the Company in compliance with the Note Agreement Item 6 — Reports, etc., Sections (e) and (f).

To the best of the knowledge of the undersigned, being a financial officer of Avco Delta Corporation:

1. *The voting stock of the Company as of May 31, 1968 was 100% beneficially owned by Avco Corporation.*

2. *There exists and has existed no condition which constitutes, or if not remedied might constitute, an Event of Default under the Notes.*

H. Bateman

President

CAPITAL STOCK — $33,850,000

While at May 31, 1968, the Company owned 2,525,272 shares of the total of 2,525,459½ outstanding common shares of Avco Delta Corporation Canada Limited, this subsidiary had reserved at that date for issue to third parties additional common shares as follows:

(a) for issue under conversion privileges attached to second preference shares — Series B held by third parties, based on conversion privilege available on or before December 16, 1968 of 5 common shares for each Canadian $100 par value preference share.	685 shares
(b) for issue under options, held by employees, expiring December 31, 1969 at $17.48 per share.	800 shares
	1,485 shares

ADDITIONAL PAID-IN CAPITAL — $20,703,045

Details of the changes in additional paid-in capital are set out in Note 1 to the Consolidated Financial Statements .

RETAINED EARNINGS — $21,474,408

Details of the changes in retained earnings during the period are set out in the Consolidated Financial Statements.

In the Notes the Company has covenanted not to make any stock payments (which include the payment of dividends on its capital stock, the purchase or redemption of any such stock and any distribution in respect of such stock) other than any such payments which may be payable solely in stock of the Company unless immediately thereafter and after giving effect to the stock payment in question:

(a) the aggregate amount of such stock payments made during the period subsequent to November 30, 1966 will not exceed the sum of the total consolidated net earnings of the Company and its subsidiaries during such period after deduction of all dividends on present preferred stock of Avco Delta Corporation Canada Limited provided, however, that at the time of and after giving effect to each such stock payment the Company must be in compliance with the debt ratios prescribed in the Note covenants without including in Adjusted Consolidated Net Worth any minority interest represented by present preferred stock of Avco Delta Corporation Canada Limited.

(b) the Adjusted Consolidated Net Worth of the Company and its subsidiaries (as defined in the Notes) will not be reduced to less than $30,000,000.

As at May 31, 1968 all of Avco Delta's retained earnings were restricted with respect to stock payments in accordance with the proviso to paragraph (a) above.

The Note covenants permit the Company to pay regular dividends on preferred stock which may be outstanding and to purchase, redeem or retire preferred stock to the extent required by applicable mandatory sinking funds. Any such dividends, purchase redemption or retirement must be deducted in the computation of any amount permitted to be paid or distributed in respect of other stock payments.

SECTION 3

ROBERT MORRIS QUESTIONNAIRES

SALES FINANCE COMPANY QUESTIONNAIRE

NOTE: In submitting this questionnaire with financial statements, please ascertain that identical terminology is used and that all figures in each are in agreement. Figures in schedules should be stated to the nearest dollar. If the information requested is already included in audit report, it need not be duplicated herein.

Name and Address of Company Avco Delta Corporation (Automotive, Capital Equipment, Farm Equipment and Home Improvement Divisions)

750 Third Avenue, New York, New York 10017

Submitted as of July 31, 1968 covering the period from December 1, 1967 to May 31, 1968

Robert Morris Associates, Form No. C 123 Rev. '67
Carried in Stock by Cadwallader & Johnson, Inc., 225 W. Huron St., Chicago, Ill. 60610

1. If Direct Cash Lending or Commercial Financing operations are engaged in, complete the separate Direct Cash Lending Questionnaire (R.M.A. Form No. C 120-Rev. '66) and/or Commercial Financing Questionnaire (R.M.A. Form No. C 121 Rev.), eliminating duplicate schedules.

2. In schedules C, D, G, H, & L submit, as a minimum, separate information for each class of receivable which represents 10% or more of total consumer retail notes and contracts outstanding and for any other class or classes of receivables which are significant in your portfolio.

3. Does this report include operations of subsidiary or affiliated companies? Yes. If so, list below the names of any subsidiary or affiliate which has been financed other than by advances from the reporting company, the outstanding capital and percentage of ownership of each and amount and description of outside financing.

4. Is any financing done for concerns in which officers, stockholders, directors of company or their families have a direct or beneficial interest? If so, give details.

   1. Financing of furniture and fixtures for Allied Innkeepers Limited in the amount of $2,390,734 at rates of 11% and 12% per annum repayable in varying installments to October, 1973.

   2. Financing in the ordinary course of business and at competitive market rates of an automobile dealership with secured loans of $506,470 and secured retail paper of $1,568,884 as at May 31, 1968.

SCHEDULE A

VOLUME OF BUSINESS FOR THE PERIOD AND OUTSTANDINGS AT END OF PERIOD:

(Under Consumer Retail Notes and Contracts if the classification "OTHER" represents 10% or more of total Consumer Retail Notes and Contracts outstanding, please detail.)

1. CONSUMER RETAIL NOTES AND CONTRACTS	VOLUME	OUTSTANDINGS END OF PERIOD
Automobile New (From Dealers)	$ 12,572,201	$ 27,172,927
Automobile Used (From Dealers)	6,534,975	11,056,301
*Automobile New (Direct)) Included in)Direct Cash Lending	-	-
*Automobile Used (Direct)) Questionnaire	-	-
Appliances and Furniture	8,350	10,366
Mobile Homes New	3,709,311	9,364,790
Real Property	7,873,380	25,034,000
Home Improvement	25,850,546	94,422,678
Other Farm Equipment	11,552,000	26,847,363
Machinery and Equipment	17,831,188	36,974,402
Other	6,452,440	10,727,725
Bulk Purchases	-	XXXXX
TOTALS	$ 92,384,391	$241,610,552
2. WHOLESALE	$ 56,457,175**	$ 51,977,728**
3. DIRECT CASH LOANS	-	-
4. CAPITAL LOANS TO DEALERS	221,111	957,204
TOTAL – ALL CLASSIFICATIONS	$149,062,677	$294,545,484

*This category should be limited to Direct Loans for automobile purchases. If these are included in Direct Cash Loans, please indicate. Do not include in both places.

**These figures do not include wholesale volume of $2,077,710 and wholesale outstandings of $1,120,509 for divisions included in the Direct Cash Lending Questionnaire.

SCHEDULE B – RESERVE FOR LOSSES RECONCILIATION – (excluding dealers participating reserves).

BALANCE BEGINNING OF PERIOD	$4,271,363
ADDITIONS:	
Appropriations From Surplus	
Appropriations From Income	1,537,100
Appropriations From Deferred Income or Finance Charges	
Recoveries	232,414
Other Credits (Detail)	
TOTAL ADDITIONS	1,769,514
DEDUCTIONS:	
Losses Charged Off	1,389,359
Transferred to Other Reserves (Specify)	
Transferred to Income	
Other Charges (Detail)	
TOTAL DEDUCTIONS	1,389,359
BALANCE END OF PERIOD	$4,651,518

1. Indicate how provision for and balance of Reserve for Losses is determined. For example: Percentage of Volume, Percentage of Outstandings, Flat Allocation from Income, etc.

   A percentage of outstandings is maintained. See page 20 for details.

2. Indicate any portion of this reserve which is tax paid.

   No portion is tax paid.

SCHEDULE C – LOSS EXPERIENCE FOR PERIOD (Continued on page 37)

Any class of receivables which accounts for 10% or more of Consumer Retail Notes and Contracts Outstanding or which is significant in your portfolio should be detailed separately. All others may be included in one column. Add additional columns if necessary.

	WHOLESALE AUTOMOBILE *	CONSUMER RETAIL NOTES and CONTRACTS		
		AUTOMOBILE	CAPITAL EQUIPMENT	HOME IMPROVEMENT
Outstanding beginning of period	$ 6,342,308	$39,939,218	$32,568,334	$115,337,161
Volume for period	28,547,388	19,107,176	17,831,188	33,723,926
Notes Purchased (Bulk-Face Amt.)	-	-	-	-
1. TOTAL	$34,889,696	$59,046,394	$50,399,522	$149,061,087
LESS: Outstanding end of period	$10,010,053	$38,229,228	$36,974,402	$119,456,678
Notes Sold (Bulk-Face Amt.)	-	-	-	-
Notes Charged Off*	18,228	234,738	180,989	857,359
2. TOTAL	$10,028,281	$38,463,966	$37,155,391	$120,314,037
3. Liquidation 1. minus 2.	$24,861,415	$20,582,428	$13,244,131	$ 28,747,050
Notes Charged Off*	18,228	234,738	180,989	857,359
Less-Recoveries	-	124,092	27,180	77,707
4. Net Losses	$ 18,228	$ 110,646	$ 153,809	$ 779,652
% Net Losses to Liquidation 4. divided by 3.	XXX	.54%	1.16%	2.71%
% Net Losses to Mo. Av. Outstanding (On Annual Basis)	.45%	XXX	XXX	XXX

*For purposes of this schedule, Notes Charged Off should be computed if possible Net of Unearned Charges. If gross figures are used, please indicate.

Indicate amount of claims against Bonding Companies which are carried as Assets.

$ Nil

* Wholesale automobile contains a small amount of mobile home paper and other collateral.

SCHEDULE C – LOSS EXPERIENCE FOR PERIOD (Continued)

	WHOLESALE FARM EQUIPMENT	CONSUMER RETAIL NOTES and CONTRACTS		
		AUTOMOBILE	FARM EQUIPMENT	OTHER
Outstanding beginning of period	$31,347,929		$23,041,716	$17,106,241
Volume for period	27,909,787		11,552,000	10,391,212
Notes Purchased (Bulk-Face Amt.)	–		–	–
1. TOTAL	$59,257,716		$34,593,716	$27,497,453
LESS: Outstanding end of period	$41,967,675		$26,847,363	$21,060,085
Notes Sold (Bulk-Face Amt.)	–		–	–
Notes Charged Off	–		98,045	– *
2. TOTAL	$41,967,675		$26,945,408	$21,060,085
3. Liquidation 1. minus 2.	$17,290,041		$ 7,648,308	$ 6,437,368
Notes Charged Off	–		98,045	–
Less-Recoveries	–		3,435	–
4. Net Losses	–		$ 94,610	–
% Net Losses to Liquidation 4. divided by 3.	XXX		1.24%	Ø%
% Net Losses to Mo. Av. Outstanding (On Annual Basis)	Ø%	XXX	XXX	XXX

For purposes of this schedule, Notes Charged Off should be computed if possible Net of Unearned Charges. If gross figures are used, please indicate.

* All losses in this "Other" category have been included in the $234,738 of retail auto losses. The amounts are not segregated by the company but in any case would not be substantial in amount.

CHARGE OFF POLICY

1. Discuss in detail, your charge off policy for each class of receivable. Include in this but do not limit to:

   a. After what period of delinquency is an account charged off?

   b. How often are charge offs made? Monthly X, Quarterly ____, Semi-annually ____,

   Annually ____, If other, explain. Charge offs are made regardless of the state of delinquency at the time the account is deemed to be uncollectible. In general this is on a monthly basis.

2. What is your charge off policy on:

   a. Deficiency balances — Charged off immediately

   b. Judgment accounts — Charged off immediately

   c. Bankruptcy accounts other than Chapter XIII)

   d. Chapter XIII Bankruptcy accounts)

) In all divisions except home improvement these accounts are charged off immediately.

   What is the amount of all of the above carried as current assets $ 421,898 *

   * All these accounts are in our home improvement division. These are written down to appraised value.

SCHEDULE D – DEALERS RESERVES

1. Dealers which have Reserve Debit Balances not charged off: Not material in amount

   Number ____ Amount $ ____

2. How frequently are Dealer Reserve Debit Balances charged off? Monthly

3. Dealer Reserve Debit Balances charged off during period:

   Number ____ Amount $ ____

   To what accounts are such balances charged? Debit balances are charged against income and they are negligible in amount.

SCHEDULE E – BORROWINGS

NOTE: Attach schedule showing available Bank Lines at statement date and name of Broker handling sale of Open Market Paper. Open market paper is handled by Goldman Sachs.

	Specify Secured or Unsecured	*Maximum Amount	*Minimum Amount	Owing at Statement Date
**Bank Loans under lines of credit	Unsecured	$ 74,279,592	$ 62,905,000	$ 74,279,592
** Open Market Borrowings	Unsecured	134,742,000	104,722,000	131,564,750
**Other Current Loans				
Maturities of unsubordinated term debt due within one year		XXXX	XXXX	
Maturities of subordinated term debt due within one year		XXXX	XXXX	
Long term debt – not subordinated	Unsecured	173,990,000	171,494,446	171,494,446
Long term debt – subordinated	Unsecured	70,357,500	65,072,000	70,357,500

* As determined by month end balances during the period.

Maximum total short term borrowings at any month end during the period: (All sources marked ** above)

$ 205,844,342 Date May 31, 1968

Have any receivables been sold (with or without recourse) during period? Specify amount and furnish details. No.

State policy regarding coverage of open market borrowings by unused bank lines. Coverage of 100%.

Are any borrowings endorsed or guaranteed? Give details and amount. No.

Are any bank lines available for use directly by subsidiaries, affiliated companies or parent company. Yes. Two Canadian Bank lines are available to Avco Delta Corporation Canada Limited (see page 40).

AUTHORIZED BANK LINES

AS OF

MAY 31, 1968

U.S. BANKS	LINE
Morgan Guaranty Trust	$15,000,000
Chase Manhattan	12,000,000
Mellon National Bank & Trust	12,000,000
Bankers Trust Company	12,000,000
Manufacturers Hanover Trust	12,000,000
First National City—New York	12,000,000
Chemical Bank New York Trust	8,500,000
First National—Chicago	7,000,000
Irving Trust Company	6,000,000
Cleveland Trust Company	6,000,000
National Bank of Detroit	6,000,000
First National—Boston	5,000,000
United California Bank	5,000,000
Bank of America	5,000,000
Marine Midland Trust Co., of Western New York	4,000,000
Continental Illinois—Chicago	4,000,000
Schroder Trust Company	4,000,000
Detroit Bank and Trust	3,000,000
French American Banking Corp.	3,000,000
American Express International Banking Corp.	3,000,000
Lincoln Rochester Trust Co.	3,000,000
Crocker-Citizens National Bank —San Francisco	2,000,000
First American National—Nashville	2,000,000
State Street Bank & Trust	2,000,000
Philadelphia National	2,000,000
Central National Bank of Cleveland	2,000,000
First National Bank & Trust Co. —Oklahoma City	2,000,000
First National—Denver	1,500,000
Pittsburgh National	1,500,000
United States Trust Company	1,500,000
Manufacturers National—Detroit	1,500,000
Connecticut National Bank—Bridgeport	1,500,000
First National—St. Paul	1,000,000
Union Commerce Bank—Cleveland	1,000,000
Worcester County National	1,000,000
American National—Denver	1,000,000
The Central Trust Company—Cincinnati	1,000,000
City Trust Company—Bridgeport	1,000,000
Colorado National—Denver	1,000,000
Manufacturers and Traders—Buffalo	1,000,000
First National—Cincinnati	1,000,000
Fifth Third Union Trust—Cincinnati	1,000,000
Southern Arizona Bank and Trust	1,000,000
LaSalle National—Chicago	1,000,000
Seattle First National	1,000,000
Guaranty Bank and Trust—Worcester	1,000,000
First National Bank in Dallas	1,000,000
State National Bank of Connecticut	1,000,000
First Pennsylvania Banking and Trust	1,000,000
Third National Bank—Nashville	1,000,000
Frost National—San Antonio	1,000,000
First National Bank of South Carolina	1,000,000
First National Bank of Arizona	1,000,000
Society National Bank—Cleveland	1,000,000

U.S. BANKS	LINE
Southern California First National Bank	1,000,000
National City Bank of Cleveland	1,000,000
American Fletcher—Indianapolis	1,000,000
Connecticut Bank and Trust	750,000
National Boulevard—Chicago	750,000
Winters National Bank & Trust—Dayton	750,000
United States National—Omaha	700,000
Northern City National	600,000
First City National—Binghamton	500,000
New England Merchants—Boston	500,000
County National Bank—Middletown, N.Y.	500,000
Davenport Bank & Trust Company	500,000
The Boatmen's National—St. Louis	500,000
Bankers Trust Co.—Des Moines	500,000
Newton Waltham Bank & Trust	500,000
Mechanics National—Worcester	500,000
Fulton National Bank—Atlanta	500,000
Mohawk National Bank	400,000
Guaranty Bank and Trust—Denver	390,000
Rock Island Bank and Trust Company	350,000
First National—Sioux City	300,000
First National Bank of Elkhart County	300,000
Douglas County Bank of Omaha	300,000
First National Bank—St. Joseph	300,000
American National—St. Joseph	250,000
Rhode Island Hospital Trust	250,000
Mercantile Trust Company—St. Louis	250,000
Exchange National Bank	250,000
Merchants National—Syracuse	200,000
First National Bank of Portland	200,000
Proctor Trust Company	200,000
Indian Head National	200,000
Merchants National—Manchester	200,000
National Bank in Tulsa	200,000
North Side Bank—Omaha	200,000
First National—Dubuque	200,000
Second National—Richmond	150,000
First National—Fort Dodge	150,000
First National—Danville	150,000
Fremont National	130,000
Council Bluffs Savings Bank	100,000
Chittenden Trust	100,000
Harvard Trust	100,000
Stock Yards National—South Omaha	100,000
City National—Kansas City	100,000
Northwestern National Bank—Sioux City	100,000
First Security Trust & Savings—Chicago	100,000
City National—Hastings	100,000
Boone State Street Bank & Trust Company	50,000
	$206,420,000
CANADIAN BANKS (in U.S. Dollars)	
Avco Delta Corporation	
Canadian Imperial Bank of Commerce	925,000
Avco Delta Corporation Canada Limited	
Mercantile Bank of Canada	925,000
The Toronto Dominion Bank	5,000,000
	$213,270,000

SCHEDULE F – MONTHLY MATURITIES OF INSTALMENT RECEIVABLES OUTSTANDING AT STATEMENT DATE

MONTH GROUPINGS	TOTAL INSTALMENT RECEIVABLES	CONSUMER RETAIL NOTES AND CONTRACTS	DIRECT CASH LOANS			OTHER INSTALMENT LOANS *
			PRECOMPUTED & DISCOUNT BASIS	INTEREST BEARING		
				PRINCIPAL	INTEREST	
Past Due	$ 2,684,364	$ 1,263,409				$ 1,420,955
1-6	125,180,018	50,869,013				74,311,005
7-9	54,310,961	21,544,025				32,766,936
10-12	50,178,877	19,849,050				30,329,827
13-15	46,538,614	19,528,447				27,010,167
16-18	44,900,207	18,919,609				25,980,598
19-24	69,351,466	28,950,559				40,400,907
25-36	79,039,535	40,502,400				38,537,135
37-48	28,241,689	22,968,283				5,273,406
49-60	12,384,940	11,809,968				574,972
Over 60	6,527,547	6,362,993				164,554
TOTALS	$519,338,218	$242,567,756				$276,770,462

NOTE: Totals above (excluding INTEREST column) should agree with respective totals in balance sheet.

*Pertains to Direct Cash Lending Questionnaire

Please indicate amount of non-instalment receivables in portfolio.

$ Nil

SCHEDULE G – DEFERRED INCOME – See Schedule D of the Direct Cash Lending Questionnaire

Answers to the following questions should be furnished on a separate page titled "Schedule G."

For the purpose of this schedule, the term finance charge shall be defined as: "The difference between the face amount of a contract and the related amount advanced by the finance company (including, as part of this advance, insurance premiums and dealers' reserves)."

1. Is any portion of the finance charge taken into income when the contracts are purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each basis and type of business for each basis.

2. Is any portion of the original finance charge transferred to accounts other than income or deferred income? If answer is Yes, describe the accounts credited (such as loss reserves, or direct offsets to expenses) and the basis on which the amounts are transferred.

3. Is any portion of insurance premium taken into income as commission or otherwise when contracts are purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each.

SCHEDULE G – Continued

For the following questions, please indicate whether the deferred income is accounted for separately by class of receivable or in the aggregate for all receivables.

4.a. What are basic methods used in accounting for deferred income (sum of digits, liquidation, straight line or fixed percentage of outstanding)? Are procedures applied on an accrual or collection basis?

b. If sum of digits or straight line methods are used, are new charges inventoried on an account by account basis, spread over actual term by age group or spread over average term by group? If spread over average term, indicate number of months used.

c. If sum of digits or straight line accrual methods are used, do transfers to income commence in month of acquisition or month following month of acquisition?

5. To what account(s) are rebates charged? If sum of digits or straight line methods are used on groups of acounts, are rebates spread over actual terms or some average term? If spread over average term, indicate number of months used.

6. Are extension fees, late charges, etc. handled on an accrual basis or collection basis? Are these items credited to income or deferred income? If deferred income is handled on accrual basis, are the charges rescheduled to reflect extensions?

CONSUMER RETAIL NOTES AND CONTRACTS (Schedule A, Category 1)	RETAIL AUTO	CAPITAL EQUIPMENT	HOME IMPROVEMENT	FARM EQUIPMENT
A. Total Finance charges on new contracts acquired and loans made during period	$ 5,155,973	$ 1,050,607	$ 10,738,926	$ 1,652,657
1. Dollar amount credited to deferred income	4,382,577	893,016	9,128,087	1,652,657
2. Dollar amount taken directly into income or credited to other accounts	773,396	157,591	1,610,839	-
B. Face amount of related receivables acquired	29,498,388	17,831,188	33,723,926	11,552,000
C. Dollar amount of deferred income at end of period	7,314,130	3,745,210	23,586,361	3,658,319
D. Dollar amount of related gross receivables at end of period	$58,332,109	$36,974,402	$119,456,678	$26,847,363
E. Percent of deferred income to related gross receivables	12.5%	10.1%	19.7%	13.6%

SCHEDULE H – ANALYSIS OF CONSUMER RETAIL NOTE AND CONTRACT VOLUME FOR THE PERIOD – PURCHASED AND DIRECT (Excluding Demonstrators) (000 omitted)

1. AUTOMOBILES

NEW UNITS – Cash advanced as a percentage of dealer cost*

	36 MOS. OR LESS	OVER 36 MOS.	BALLOON PAPER	TOTALS
100% or Less	$6,199	$1,846	$572	$ 8,617
101 – 110%	1,836	768	33	2,637
Over 110%	82	36	-	118
TOTALS	$8,117	$2,650	$605	$11,372

USED UNITS – (Late model, current and two preceding years) Cash advanced as a percentage of used car guide wholesale value**

	30 MOS. OR LESS	OVER 30 MOS.	BALLOON PAPER	TOTALS
100% or Less	$1,449	$1,466	$ 37	$ 2,952
101 – 110%	350	702	17	1,069
111 – 120%	36	97	-	133
Over 120%	50	21	-	71
TOTALS	$1,885	$2,286	$ 54	$ 4,225

USED UNITS – (Older models than above) Cash advanced as a percentage of used car guide wholesale value**

	24 MOS. OR LESS	OVER 24 MOS.	BALLOON PAPER	TOTALS
100% or Less	$1,350	-	$ 20	$ 1,370
101 – 110%	569	-	6	575
111 – 120%	126	-	3	129
Over 120%	233	-	3	236
TOTALS	$2,278	-	$ 32	$ 2,310

*Dealer cost may include invoice plus applicable freight charges, taxes and license fees. Cash advanced must exclude finance and insurance charges.

** Please state reference book or books used.
Canadian Red Book - (National Automotive Publishers Limited)
also Canadian Black Book - (National Auto Research Canada).

SCHEDULE H — Continued

2. MOBILE HOMES Information not available.

Prepare a schedule similar to the automobile schedule showing the following information as to New and Used separately.

Advances — For new only: 100% or less, 101% — 110% and Over 110%
Terms: New — 1-60 months, 61-84 months, and Over 84 months.
Used — 1-60 months and Over 60 months.

3. OTHER CLASSES See page 17 which shows average maturities on all classes of business.

Similar information on terms (not advances) should be submitted with respect to each class of retail notes and contracts outstanding which constitutes 10% or more of total retail notes and contracts outstanding. Terms used should be typical for each class of receivable.

NOTE: In preparing the schedules in this section, it is understood that a delayed first payment of 50 days or less will not be considered an extra month in determining terms.

SCHEDULE I — WHOLESALE:
1. ANALYSIS OF WHOLESALE LOANS TO DEALERS

Classification	WHOLESALE		
	MAXIMUM OUTSTANDING AT ANY MONTH END DURING PERIOD	AMOUNT OUTSTANDING AT STATEMENT DATE	AMOUNT OUTSTANDING* 6 MONTHS OR OVER
Automobile — New	$ 8,246,736	$ 8,246,736	$367,487
Automobile — Used	294,928	176,163	8,130
Mobile Home — New	1,171,355	1,057,710	30,476
Mobile Home — Used	92,894	77,648	4,163
Other	1,266,424	1,127,321	72,000
Farm Equipment	41,967,675	41,967,675	-
Capital Equipment	618,825	444,984	191,475
TOTALS	XXX	$53,098,237	$673,731

* From Date of Original advance.

SCHEDULE I – Continued

2. DEALER WHOLESALE CONCENTRATIONS:
List five largest dealer wholesale concentrations at STATEMENT DATE. Indicate any capital loans to these dealers, but do not include capital loans in determining concentrations.

NOTE: If the same dealer appears in Schedules I, J and/or K, the same letter designation should be used for each dealer in all schedules.

DEALER – Identify by Letter and type of business		Wholesale Outstanding		Wholesale Outstanding Over 6 Mos.	Capital Loans
		End of Period	Maximum at any Month End During Period		
A	Automobile	$ 618,844	$738,150	$ 88,800	$ 81,016
B	Automobile	497,895	497,895	37,000	-
C	Automobile	462,934	483,775	24,050	76,095
D	Automobile	445,449	445,449	-	-
E	Automobile	436,170	436,170	12,025	70,300
TOTALS		$2,461,292	XXX	$161,875	$227,411

SCHEDULE J – CAPITAL LOANS TO DEALERS

Number 16 Amount $ 957,204

Itemize five largest capital loans to dealers showing type of dealer, amount, description of collateral and program for liquidation of each.

F $179,450 - First mortgage, assignment of life and fire insurance - 29 payments at $925 and 1 for the balance.

G 138,750 - Promissory note, guarantees, second mortgage, assignment of fire insurance - 1 payment at $138,750.

A 81,016 - Third mortgage, promissory note, personal guarantee - 11 payments at $1,920 and 1 for the balance.

C 76,095 - First mortgage, personal guarantee, assignment of life and fire insurance - 28 payments at $1,074 and 1 for the balance.

H 71,708 - Promissory note, debenture, second mortgage on home, first mortgage on cottage, assignment of fire insurance - 35 payments at $1,140 and 1 for the balance.

SCHEDULE K – DEALER RETAIL CONCENTRATIONS

List five largest dealer retail concentrations based on outstandings at statement date.

DEALER – Identify by Letter and type of business		Volume Purchased During Period	Outstanding at Statement Date	Balances * Past Due 60 Days or more	Dealer Reserve Held	Repurchase Recourse or Non-Recourse
I	Home Improvement	$ **	$ 4,012,000	$341,000	$ -	N.R.
J	Automobile	3,211,600	3,363,000	-	89,196	Rec.
K	Home Improvement	937,700	3,265,000	104,400	12,304	N.R.
A	Automobile	2,192,250	2,581,675	-	6,809	N.R.
L	Home Improvement	378,100	2,226,000	86,800	6,951	N.R.
TOTALS		$6,719,650	$15,447,675	$532,200	$115,260	

*Unpaid balances of accounts with instalments past due 60 days or more on same basis as shown in Schedule L.

**Not doing business with this dealer

SCHEDULE L – ANALYSIS OF ACCOUNTS WITH INSTALMENTS PAST DUE 60 DAYS OR MORE FROM DUE DATE.
(Based on terms in effect at statement date)

If Automobile – Direct is not shown below include in Direct Cash Lending Questionnaire (R.M.A. Form No. C 120 Rev. 66)

CONSUMER RETAIL NOTES AND CONTRACTS	BALANCES	% of Related Receivables Outstanding
Automobile – Dealer	$ 47,638	.08%
Automobile – Direct		
Home Improvement	3,404,600	2.85%
Farm Equipment	484,844	1.81%
Capital Equipment	1,007,922	2.73%
TOTAL	$4,945,004	2.04%

1. Total balances of accounts extended, revised or rewritten during the period, without change of obligor, based on gross balances at the time of extension, revision or rewrite.

Extensions and Revisions $ 21,902,348

Rewrites $ Not available

SCHEDULE L – Continued

2. Define rewrite as the term is used in your company.
   Refinancing that changes the terms of the original contract.
3. Define extension and revision as the terms are used in your company.
   An extension is the deferment of an installment payment to the end of a contract.
4. State your policies as to extensions, revisions and rewrites including but not limiting to:

   (a) The number of full payments required before a contract can be extended, revised or rewritten.
       Generally 6 payments.
   (b) The number of extensions, revisions or rewrites permitted during the life of a contract.
       One per 6 months.
   (c) At what level of management are extensions, revisions or rewrites granted or approved.
       On the basis of the approval required for the original contract.
5. What portion of a full payment must be received for an account to be considered current?
   75% of a full payment providing that only one payment is delinquent.
   How many full payments or what portion of a full payment must be received for the purpose of taking an account off the delinquent list? All of the previous past due payments including at least 75% of the most recent delinquent payment.
6. If any receivables were purchased in bulk during the period, were these receivables considered as current at the time of purchase or are such accounts aged and recorded above according to their actual degree of delinquency? None purchased, however they would be recorded according to their actual degree of delinquency.

SCHEDULE M – RETAIL REPOSSESSIONS

COMPANY OWNED REPOSSESSIONS	INVENTORY AT PREVIOUS YEAR END		REPOSSESSED DURING THE PERIOD		INVENTORY STATEMENT DATE	
	UNITS	AMOUNT	UNITS	AMOUNT	UNITS	AMOUNT
Automobiles	90	$132,713	970	$1,388,491	68	$ 100,049
Properties held for resale	64	609,857	34	290,368	53	732,081*
Machinery & Equipment	9	74,608	24	173,709	7	93,159
Farm Equipment	Nil	Nil	104	524,819	31	102,119
Automobiles						
Mobile Homes						
Other						
TOTAL	163	$817,178	1,132	$2,377,387	159	$1,027,408

On what basis are repossessions valued? At approximate market value

* Included in properties held for resale are 50 homes valued at $421,898, foreclosures of the Home Improvement Division.

SCHEDULE N –

Attach auditors certificate of compliance with restrictive covenants contained in your long term debt agreements relating to the maintenance of certain financial ratios and other financial conditions.

What is your Fidelity Bond coverage? Brokers blanket bond - limit $1,000,000 each loss.

The foregoing information, supplementing our financial statement of May 31, 1968

prepared by the company, is submitted for the purpose of obtaining credit.

Avco Delta Corporation
(Name of Company)

By H.P. Paterno
H.P. Paterno - President

PLEASE NOTE: The borrower is invited to submit any other pertinent information which would be of interest to the lender.

DIRECT CASH LENDING QUESTIONNAIRE

This questionnaire applies to companies engaged principally in making cash loans, generally under Small Loan Acts or similar regulatory laws. Provision has been made in the schedules below for some information regarding non-cash lending operations but if this amounts to a substantial part of your volume, the separate questionnaire for Sales Finance Companies or Commercial Financing Companies should be used in conjunction with this questionnaire. In submitting this questionnaire with financial statements, please ascertain that identical terminology is used and that all figures in each are in agreement. Figures in schedules should be stated to the nearest dollar. If the information requested is already included in an audit report, it need not be duplicated herein.

Name and Address of Company Avco Delta Corporation (Canadian and U.S. Consumer Finance, Industrial Bank and Thrift Divisions)

Submitted as of July 31, 1968 covering the period from December 1, 1967 to May 31, 1968

Does this report include operations of subsidiary or affiliated companies? Yes. If so, please list below the names of any subsidiary or affiliate which has been financed *other* than by advances from the reporting company, the outstanding capital and percentage of ownership of each and the amount and description of outside financing.

Nil

SCHEDULE A (In schedules A, B and C, indicate whether volume is reported on a net or gross basis. Use the same basis for all three schedules.) Gross basis.

ANALYSIS OF DIRECT CASH LOAN VOLUME FOR THE PERIOD BY MATURITY CLASS

	Number of Loans	Volume	Average Amount Per Loan
Loans written for 1 to 25 months	74,837	$ 25,688,165	$ 343
26 to 37 months	83,418	91,843,288	1,101
38 to 48 months	11,975	35,086,244	2,930
49 to 60 months	82	456,447	5,566
more than 60 months	181	1,597,646	8,827
Total Direct Cash Loans	170,493	$154,671,790	$ 907

Volume of loans written with a balloon payment, $ 1,762,932

SCHEDULE B

ANALYSIS OF TOTAL VOLUME FOR THE PERIOD – BY PRINCIPAL TYPES OF SECURITY.

	VOLUME		GROSS OUTSTANDINGS
DIRECT CASH LOANS	Number of Loans	$ Amount	X X X
Real estate with or without other security.	65	$ 265,741	X X X
Chattel mortgage on auto, household goods, and/or other security.	128,455	140,591,409	X X X
Unsecured except by co-maker or wage assignment	1,309	776,338	X X X
Unsecured (either single name or husband and wife)	40,664	13,038,302	X X X
Sub-total – Direct Cash Loans	170,493	$154,671,790	$232,963,261
OTHER PAPER PURCHASED (Describe major classes)			
Retail Contracts			
a. Conditional Sales	93,829	33,718,852	43,807,201
b.			
c.			
Other (Describe)			
Sub-Total – Other Paper Purchased	93,829	33,718,852	43,807,201
BULK PURCHASES a. Direct Cash Loans			Include in "Sub-total Direct Cash Loans" above.
b. Other Paper	5,566	1,430,260	Include in "Sub-total Other Paper Purchased" above.
Sub-Total – Bulk Purchases	5,566	1,430,260	X X X
GRAND TOTAL – All Classifications	269,888	$189,820,902	$276,770,462

SCHEDULE C
ANALYSIS OF DIRECT CASH LOAN VOLUME FOR THE PERIOD – BY TYPE OF BORROWER

	Number	Old Balances Renewed	New Money	Total
1. Loans to new borrowers	45,646	X X X X X	$31,381,613	$ 31,381,613
2. Loans to former borrowers	18,754	X X X X X	10,394,831	10,394,831
3. Loans to present borrowers	106,093	$58,639,290	54,256,056	112,895,346
Totals	170,493	$58,639,290	$96,032,500	$154,671,790

Note: Grand total in fourth column should agree with Direct Cash Loans in Schedule A and Direct Cash Loans sub-total in Schedule B.

Included under Number 3 above were 3,096 loans (number of loans) to present borrowers where the amount of the loan, after deducting both finance charges and insurance charges, did not exceed the old balance renewed by more than 10%. For the purpose of compiling this statistic, the amount of each "Old Balance Renewed" is the unpaid balance owed at the time of refinancing minus all refunds of finance and insurance charges. (Those lenders reporting volume on a gross basis will report old balances on line 3 in the table above "gross", even though this supplementary statistic requires using "net" old balance figures.)

SCHEDULE D – DEFERRED INCOME

Answers to the following questions should be furnished on a separate page entitled "Schedule D." (See page 52)

1. Is any portion of refundable finance charges (interest and/or fees) taken into income as acquisition charges when loans are made or contracts purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each basis and show states and type of business for each basis.

2. Is any portion of non-refundable initial finance charges, where authorized, deferred? If answer is Yes, describe the exact basis for determining the portions deferred, and the method of taking such deferred portions into income.

3. Is any portion of finance charges transferred to accounts other than income, or deferred income, or dealer reserves? If answer is Yes, describe the accounts credited (such as loss reserves, or direct offsets to expenses) and the basis on which the amounts are transferred.

4. Is any portion of refundable insurance charges taken into income as acquisition charges or commissions when loans are made or contracts purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each basis and show states and type of business for each basis.

Answers to questions 5 through 7 should be separated as to "Direct Cash Loans" and "Other Paper Purchased." If any class of "Other Paper Purchased" constitutes more than 15% of total receivables, break your answer down by type of paper such as automobile, household goods, mobile homes, etc.

5. a. What is basic method used in accounting for deferred income (sum of digits, liquidation, straight line or fixed percentage of outstanding)? Is procedure applied on an accrual or collection basis?

   b. If sum of digits or straight line methods are used are new charges inventoried on an account by account basis, spread over actual term by age group or spread over average term by group? If spread over average term, indicate number of months used.

   c. If sum of digits or straight line accrual methods are used, do transfers to income commence in month of acquisition or month following month of acquisition?

6. To what account(s) are rebates charged? If sum of digits or straight line methods are used on groups of accounts are rebates spread over actual terms or some average term? If spread over average term, indicate number of months used.

7. Are extension fees and late charges handled on an accrual or collection basis? Are these items credited to income or deferred income? If deferred income is handled on accrual basis are the charges rescheduled to reflect extensions?

DEFERRED INCOME - Answers to the preceding questions

1. The net finance charges on discounted receivables acquired are credited to unearned discount and service charges. A portion of such charges, a maximum of 15%, is taken into income at the time of purchase of each contract to offset acquisition costs. The remainder of the finance charge is transferred to income over the periods covered by the notes, in diminishing monthly amounts proportionate to the decreasing balances of the receivables (sum-of-digits method).

2. In some cases our company defers initial non-refundable finance charges. These are credited to deferred revenue. The credits are brought into income as stated in Note 1.

3. The balance of all finance charges, after crediting a set-up charge to income, is credited to deferred income.

4. No insurance income is recorded in our consumer finance subsidiaries, other than experience rebates on credit life insurance.

5. (a) See note 1 above.

   (b) The calculation is made by the computer on a separate account basis.

   (c) Transfers to income commence in the month of acquisition but only half the calculated amount is credited to income the first month.

6. Rebates are charged against the net income account in the month incurred.

7. Extension fees and late charges are handled on a collection basis. These items are credited to income. Deferred income is re-scheduled to reflect extensions.

NOTE: All the above comments apply to our sales finance operations as well as our consumer finance operations.

SCHEDULE E
DIRECT CASH LOANS CLASSIFIED AS TO RECENCY OF PAYMENT

Delinquency for our interest bearing direct cash loans is calculated on a recency of payment basis. All other loan delinquency is calculated on a contractual basis.

1. 60 day and over accounts
   a. Accounts which have had no collection of principal, interest or charges for 60 days or more – classified as to the period during which the last collection was received.

	Number	Unpaid Balances
60-89 days	2,504	$1,052,284
90-119 days	1,143	468,026
120 days or more	943	384,893
b. Accounts on which only interest, deferment, extension and/or default charges were received in the last 60 days.	1,130	654,862
Total	5,720	2,560,065
Partial payment accounts Accounts on which the total amount applied to the unpaid balance in the last 60 days was less than 50% of the *original* contractual monthly payment.	7,322	3,864,535
Total Interest Bearing	13,042	$6,424,600
2. Precomputed 60-89 days	2,227	$1,387,255
90 days or more	4,271	2,635,324
Total Precomputed	6,498	$4,022,579

3. If the "Other Paper Purchased" section of Schedule B (Volume) was filled out, please furnish a separate schedule for Past Due Accounts in this paper showing (1) Classification (description) of paper; (2) Amount of instalments in each class over 60 days past due: (3) Amount of balances in each class over 60 days past due – ALL BASED ON PRESENT CONTRACT TERMS. These conditional sales contracts are included with our other precomputed direct loans on a contractual basis.
4. If any receivables were purchased in bulk during the period, were these receivables considered as current at time of purchase or are past due accounts recorded above according to their actual degree of delinquency? Past due accounts are recorded according to their actual degree of delinquency.
5. What is your charge-off policy on accounts:
   a. After what period of delinquency is an account charged off?
   b. How often are charge-offs made? Monthly ( ), Quarterly ( ), Semi-Annually ( ), Annually ( ), Other ( ) Please specify
   No specific period of delinquency is laid down except that all accounts with no payments in the last six months are automatically charged off. These charge-offs are made when the supervisor visits a branch and in general this is quarterly.

SCHEDULE F – RESERVE FOR LOSSES RECONCILIATION

BALANCE BEGINNING OF PERIOD	$ 5,072,687
ADDITIONS:	
Appropriations from surplus	
Appropriations from income	1,959,693
Recoveries (Reconcile with Schedule G)	532,643
Other credits (Detail) Reserve acquisition	22,646
Appropriations from deferred income or finance charges	
Total additions	2,514,982
DEDUCTIONS:	
Losses charged (Reconcile with Schedule G)	2,029,139
Transferred to other reserves (Specify)	
Transferred to income	
Other charges (Detail)	
Total deductions	2,029,139
BALANCE END OF PERIOD	$ 5,558,530

SCHEDULE G – LOSS EXPERIENCE FOR PERIOD:

DIRECT CASH LOANS	
Loans Charged Off (A)	$ 1,822,494
Less–Recoveries	467,662
Net Losses	1,354,832
Average Monthly Outstandings (as determined from Schedule H) (B)	$196,634,982
% Net Losses to Average Outstandings (on an annual basis)	1.38 %
OTHER PAPER*	
Outstandings beginning of period	$ 40,171,063
Volume during period	35,149,112
Notes purchased (bulk)	
Total (1)	75,320,175
Less:	
Outstandings end of period	43,807,201
Notes sold (bulk)	
Notes charged off	206,645
Total (2)	44,013,846
Liquidation (1) minus (2)	31,306,329
Notes charged off	206,645
Less Recoveries	64,981
Net Losses	$ 141,664
% Net Losses to Liquidation	.45 %

(A) Are precomputed and discount basis loans charged off net of deferred charges? Yes X No ___.

(B) If answer to A is yes, deduct average unearned charges as determined from Schedule H, Column 3

* Describe the types of receivables classified as "Other Paper" and furnish separate schedule showing beginning and end of period balances for each type:

SCHEDULE H

BALANCES OF DIRECT CASH LOANS AND BREAKDOWN OF COLLECTIONS:

Month	BALANCES OUTSTANDING—BEGINNING OF MONTH			* CASH COLLECTIONS—DURING THE MONTH			Deferred Income Taken into Earnings on Precomputed or Discount Basis Loans (7)	Balances Renewed during month (reconcile with Col. 2—Sched. C (8)
	Interest Bearing Loans (1)	Precomputed or Discount Basis Loans (Incl. Deferred Income) (2)	Reserve for Deferred Income (3)	Applied to Unpaid Face of Notes (4)	Interest and Charges not Applied to Face of Notes (5)	Total Cash Collections (Col. 4 plus 5) (6)		
1.	$ 64,480,000	$147,609,000	$ 25,151,544	$12,239,578	$ 963,945	$13,203,523	$ 2,381,921	$13,484,881
2.	66,351,000	154,032,000	26,142,854	10,778,171	1,008,916	11,787,087	2,155,298	7,711,881
3.	66,433,000	154,231,000	26,550,655	12,541,361	894,686	13,436,047	2,384,324	9,836,882
4.	66,679,000	157,196,000	27,442,483	11,686,339	1,042,704	12,729,043	2,367,212	9,412,882
5.	67,190,000	159,652,000	28,003,431	12,486,916	1,062,560	13,549,476	2,420,483	9,206,882
6.	67,797,000	162,574,000	28,621,056	12,742,622	1,045,772	13,788,394	2,500,329	8,985,882
7.								
8.								
9.								
10.								
11.								
12.								
Totals	$398,930,000	$935,294,000	$161,912,023	72,474,987	$6,018,583	$78,493,570	$14,209,567	$58,639,290
Less: Deferred Income taken into Earnings (Col. 7)				14,209,567				
Principal Cash Collections				$58,265,420				

* Do not include rebates

1. Number of Loans outstanding at end of period 271,383 At beginning of period 257,891
   Maximum terms are ______ months. Loans under Consumer Loan Acts 30 - 36 months
   Large consumer loans outside of Consumer Loan Acts 36 - 48 months

2. If the "Other Paper Purchased" section of Schedule B (Volume) was filled out, please furnish a separate schedule similar to Schedule H above, showing by months, Balances Outstanding and Deferred Income at the beginning of the month and Cash Collections thereon. The great majority of these conditional sales contracts are rolled into loans and cash collections are not material.

	Direct Cash Loans	Other Paper Purchased
3. Precomputed or discount basis loans and contracts A. Total Finance charges on new contracts acquired and loans made during period. 1. Dollar amount credited to deferred income	$28,594,533	
2. Dollar amount taken directly into income or credited to other accounts	5,046,094	
B. Face amount of related receivables acquired	$100,656,788	$35,149,112
C. Dollar amount of deferred income at end of period	28,830,364	4,973,493
D. Dollar amount of related gross receivables at end of period	165,072,897	43,807,201
4. Dollar amount of interest bearing loans and contracts at end of period	67,890,364	-

SCHEDULE I - See Schedule E of the Sales Finance Company Questionnaire

NOTE: Please attach schedule of latest confirmed lines of credit from banks and name of broker handling sale of open market paper.

BORROWINGS	Specify Secured or Unsecured	*Maximum Amount	*Minimum Amount	Owing at Statement Date
**Bank loans under lines of credit				
**Open market borrowings				
**Other current loans				
Maturities of unsubordinated term debt due within one year		X X X X	X X X X	
Maturities of subordinated term debt due within one year		X X X X	X X X X	
Long term debt – not subordinated				
Long term debt – subordinated				

*As determined by month end balances during the period.

Maximum total short term borrowings at any month end during the period: (All sources marked ** above)

$ ______________ Date ______________

Have any receivables been sold (with or without recourse) during period? Specify details and amount.

SCHEDULE J

If 5% of your loan volume consisted of loans originally made for $5,000 or more, give the following data on the ten loans having the largest loan balances at the end of the period:
(a) Date made; (b) Original amount; (c) Amount outstanding; (d) Repayment Schedule; (e) Security; (f) Delinquency status.

SCHEDULE K

Please attach auditors' certificate of compliance with restrictive covenants contained in your most restrictive long term debt agreements relating to the maintenance of certain financial ratios and other financial conditions.

The foregoing information supplements our financial statement of May 31, 1968 prepared by the company and is submitted for the purpose of obtaining credit.

Avco Delta Corporation
(Name of Company)

By H. Paterno
H.P. Paterno - President

PLEASE NOTE: The borrower is invited to submit any other pertinent information which would be of interest to the lender.

AVCO DELTA CORPORATION AND SUBSIDIARIES

Officers and Directors

Directors

W. D. GAILLARD	Counsel, Avco Corporation
J. R. GOSNELL	Chairman of the Finance Committee, Avco Corporation
J. R. KERR*	President, Avco Corporation
F. S. LARSON*	Vice President and Treasurer, Avco Corporation
M. A. McLAUGHLIN*	Vice President, Avco Corporation
H. P. PATERNO*	President
K. R. WILSON, JR.*	Chairman of the Board, Avco Corporation
R. W. YANTIS*	Chairman of the Board

**Executive Committee*

Senior Management

R. W. YANTIS	Chairman of the Board
J. R. KERR	Vice Chairman
H. P. PATERNO	President
R. C. DANNECKER	Executive Vice President
H. S. TENNANT	Executive Vice President
C. J. CONNELL	Group Vice President
R. M. HETT	Senior Vice President
D. J. SADLER	Vice President

Division Management

AUTOMOTIVE DIVISION	
W. A. GALLAWAY	Vice President & General Manager
CAPITAL EQUIPMENT DIVISION	
M. H. BAILEY	Vice President & General Manager
CONSUMER FINANCE DIVISION	
R. A. ANDERSON	Vice President & General Manager
T. M. CUMMING	Vice President & General Manager
C. L. NEWTON	Vice President & General Manager
FARM EQUIPMENT DIVISION	
H. E. DICKERSON	Vice President & General Manager
HOME IMPROVEMENT DIVISION	
S. S. SHELDON	Vice President & General Manager
INDUSTRIAL BANK DIVISION	
T. JACKSON	President & General Manager
INSURANCE DIVISION	
R. G. GREEN	Vice President & General Manager
THRIFT DIVISION	
S. NEMIROW	President & General Manager

OPERATIONAL AND STATISTICAL REVIEW NOVEMBER 30, 1968

file

AVCO
DELTA
CORPORATION

STATISTICAL HIGHLIGHTS(1)

	1968	1967	1966	1965	1964(2)	1963	1962	1961	1960	1959
	FIGURES IN THOUSANDS OF DOLLARS									
Receivables Outstanding	672,033	520,205	446,745	338,608	227,485	163,468	105,880	71,932	57,071	45,715
Capital Funds	172,744	141,840	115,982	102,509	54,596	42,802	21,632	16,692	14,764	11,819
Net Worth	87,403	72,301	64,605	47,970	26,569	26,197	11,498	8,309	7,514	6,190
Deferred Income	91,550	63,960	51,441	36,624	24,573	15,696	6,412	3,832	3,278	2,782
Total Volume	702,857	580,438	514,455	372,332	273,515	224,517	156,851	108,043	92,033	77,153
Gross Income	87,602	70,665	57,928	41,198	27,476	21,248	13,135	9,328	7,075	5,090
Earnings before Income Tax	16,361	13,372	10,875	8,073	5,026	4,130	1,817	967	930	583
Provision for Taxes	7,048	6,318	5,588	4,046	2,330	1,950	836	500	482	275
Earnings before Minority interest	9,313	7,054	5,287	4,027	2,696	2,180	981	467	448	308
Net Earnings	8,957	6,792	4,901	3,561	2,696	2,180	981 (3)	467 (3)	448 (3)	308
Offices:										
Automotive	23	25	25	25	28	29	22	22	17	16
Capital Equipment	6	6	6	5	5	4	2	2	—	—
Consumer Finance—Canadian	282	267	248	211	150	122	99	77	54	37
Consumer Finance—U. S.	158	102	87	70	—	—	—	—	—	—
Farm Equipment	10	10	10	—	—	—	—	—	—	—
Home Improvement	27	30	28	29	18	11	—	—	—	—
Industrial Bank	10	9	9	8	5	4	—	—	—	—
Insurance	7	7	7	6	6	8	6	1	—	—
Thrift	19	12	6	—	—	—	—	—	—	—
Total Offices	542	468	426	354	212	178	129	102	71	53

(1) Figures from 1959 to 1964 are those of Avco Delta Corporation Canada Limited and have been converted to United States Dollars at appropriate rates of exchange.

(2) Eleven month period due to fiscal year end change from December 31 to November 30.

(3) Exchange adjustments resulting from the depreciation of the Canadian Dollar in relation to the United States Dollar were charged as "special items" to retained earnings as follows: 1960—$587, 1961—$1,046, 1962—$1,108.

NOVEMBER 30, 1968

OPERATIONAL AND STATISTICAL REVIEW

including Long Form Report and
Robert Morris Questionnaires

AVCO
DELTA
CORPORATION

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REVIEW OF OPERATIONS

SECTION 1

AVCO
DELTA
CORPORATION

HIGHLIGHTS OF 1968

Again this year, volume, income and net profit achieved all-time highs for Avco Delta. Deferred income and allowance for losses also surpassed previous records.

Geographic growth continued as 74 new offices were added, bringing the total to 542. A major advance in operating efficiency and preparation for further expansion was realized with the occupancy of new International Headquarters in Cleveland, Ohio.

Three senior vice presidencies, reporting directly to the President, were created in a functional realignment of management organization. An overall marketing program for all divisions was designed. Substantially all operations have now been computerized, both in Cleveland and London, Ontario.

The year in Summary

(Thousands of dollars)

Earnings	Gross Income		$ 87,602—**up 24.0%**
	Net Earnings		$ 8,957—**up 31.9%**
Receivables	Volume		$702,857—**up 21.1%**
	Receivables		$672,033—**up 29.2%**
Reserves	Allowance for losses*	1968	$12,848—**2.06%**
		1967	$ 9,344—**1.94%**
	Deferred income*	1968	$91,550—**16.6%**
		1967	$63,960—**15.6%**

*Expressed as percentages of related receivables.

Henry P. Paterno

PRESIDENT'S MESSAGE

It is common to measure a company's progress by reviewing its financial statements to evaluate earnings, growth in assets, and other financial statistics. A review of the statistics in this report will indicate emphatically that Avco Delta had a very favorable year. We recorded an unprecedented year of growth, a significant increase in earnings and in branch locations.

There was much more to the year 1968 than appears in the statistics. It was a year that has to be measured in terms of human accomplishment. It was a year in which we enjoyed substantial growth, and in which steps were taken to provide for continued expansion in future years. We saw unmistakable signs that our plans were progressive, our sights in focus, and our expectations sound. It was a year that required from Avco Delta people the handling of over $100,000,000 in internal growth together with the acquisition, computerization and conversion to Avco Delta standards of two companies with outstanding receivables of approximately $50,000,000. It was a year in which the Corporation made almost daily demands on the loyalty and devotion of its employees and received cooperation, understanding and effort

from executives, branch managers, supervisors, secretaries and clerks; all blending their skills in a common corporate purpose. Their achievement not only provided outstanding growth in receivables and earnings and in office locations, but accomplished a difficult corporate relocation to our new International Headquarters in Cleveland, Ohio.

The year 1968 also saw the development of the necessary framework to create a unique credit-granting institution, a financial supermarket, an organization which we are convinced will serve as a pattern for the financial institution of tomorrow.

Internal growth of $100 million is expected in 1969, accompanied by increased profit from the present account base. The increased profit will be generated by a special motivational program developed to convert unprofitable accounts to profitable ones, and by increased efficiency through cost accounting analysis.

Control of all of Avco Delta's divisions, is now centered in Cleveland. With facilities and staff now unified at Avco Center, another year of profitable expansion seems in prospect.

AVCO
DELTA
CORPORATION

DIVISIONAL STRUCTURE

Avco Delta is a diversified consumer finance company with nine divisions. Each division is autonomous yet at the same time most divisions complement each other in providing a full range of financial services to the public. In order to provide these services more conveniently, Avco Delta is pioneering the concept of the financial service center. It will be designed physically and operationally to provide consumer credit for a broad spectrum of needs in a single location.

Details as to the business carried on by each separate division are set out below:

Automotive Division

Avco Delta Corporation Canada Limited and subsidiary Avco Delta Dominion Limited

Retail installment sales contracts on consumer purchases of cars, commercial vehicles, mobile homes and other durable goods are acquired by this division, which also provides capital funds and wholesale advances to dealers. In addition, this division discounts and makes loans to homeowners secured by second mortgages. There are 23 offices in six Canadian provinces, with outstanding receivables of approximately $81,800,000 on November 30, 1968.

Capital Equipment Division

Avco Delta Corporation Canada Limited and subsidiary Avco Delta Dominion Limited

Providing financing for industrial and commercial accounts covering a broad range of revenue-producing machinery and equipment, the division's six offices in five provinces accounted for outstanding receivables of approximately $33,700,000 on November 30 of last year.

Consumer Finance Division—Canada

Avco Finance Limited

Consumer loans, predominantly secured by automobiles and household goods, are the specialty of the 282 offices of this division which operates in all 10 Canadian provinces. The division also purchases retail installment obligations from dealers covering appliances and other consumer goods. At November 30, 1968 this division's receivables totalled approximately $181,900,000.

Consumer Finance Division—United States

Avco Finance Company and subsidiaries

Like the Canadian division, about 90% of the consumer loans made in 158 offices in 15 states are secured by automobiles and household goods. The division also purchases retail installment obligations from dealers and in addition conducts a successful mail loan operation. At November 30, 1968 its receivables totalled approximately $83,900,000.

Farm Equipment Division

Avco New Idea Credit Corporation

This division consists of Avco New Idea Credit Corporation, which was incorporated in 1966 to offer credit services to dealers franchised by Avco New Idea, the Farm Equipment Division of Avco Corporation, and to customers of these dealers. The division acquires retail installment contracts covering the purchase of farm equipment and provides wholesale advances to farm equipment dealers. At November 30, 1968, the division's 10 offices accounted for approximately $62,400,000 in receivables.

Home Improvement Division

Avco Security Corporation and affiliated companies

Operating in 19 states, the 27 offices within this division specialize in financing home improvements by purchasing customers' notes from building contractors and dealers, normally secured by supplementary mortgages. The division also discounts and makes loans, secured by real property, to home owners. The security is usually subordinate to other liens. Receivables on November 30, 1968, totalled approximately $174,300,000.

Industrial Bank Division

Colorado Industrial Bank

This division operates The Colorado Industrial Bank, nine other industrial banks and other financial offices engaged in the consumer loan and sales finance fields. Savings and time deposits are accepted by the industrial banks. At November 30, 1968, receivables totalled approximately $34,500,000.

Insurance Division

In the U.S. the division operates two credit life and disability insurance companies plus seven insurance agencies.

In Canada the division operates London and Midland General Insurance Company and Adanac General Insurance Company of Canada. Both companies are permitted to write all forms of insurance other than life in all provinces of Canada.

Gross premiums written during 1968 were approximately $18,000,000 and were basically written through independent insurance agents.

Thrift Division

Avco Thrift

Engaged in consumer lending and sales finance, Avco Thrift has deposit and loan powers in California similar to those of the industrial banks in Colorado. In 1968, seven new offices opened, making the total 19. The division's receivables totalled approximately $19,500,000 on November 30, 1968.

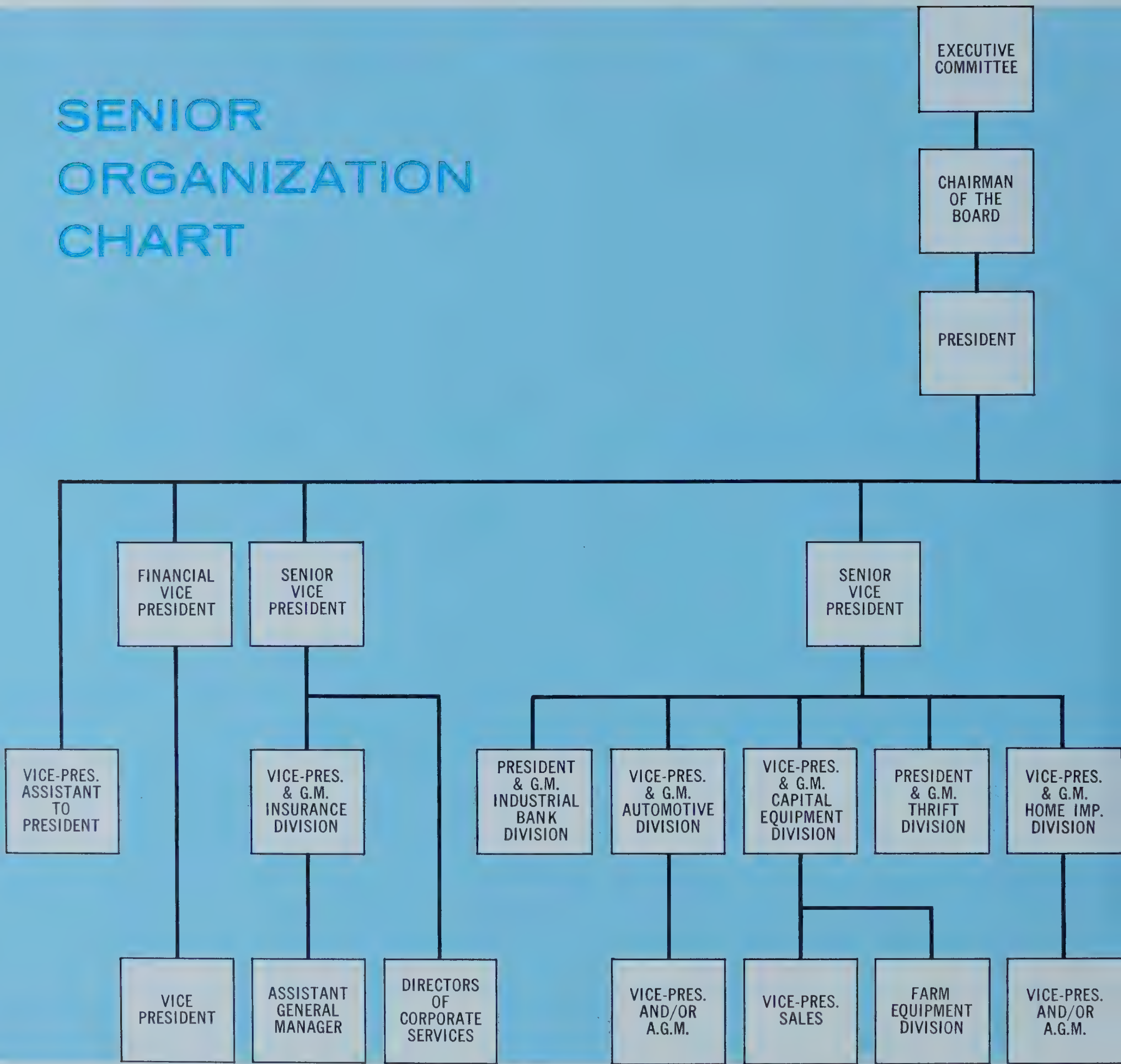
The following table indicates the extensive geographical distribution of the Company's offices and gross receivables outstanding at November 30, 1968 and November 30, 1967.

	Percent of Receivables Outstanding		Total Offices		Division Offices—1968				
UNITED STATES	**1968**	1967	**1968**	1967	U.S. Consumer Finance	Home Improvement	Farm Equipment	Industrial Bank	Thrift
Alabama	**0.3%**	0.1%	**1**	1		1			
Arizona	**0.2**	0.2	**3**	4	3				
California	**5.3**	2.4	**23**	13	4				19
Colorado	**6.3**	7.4	**23**	20	13			10	
Connecticut	**0.8**	1.2	**1**	2		1			
Florida	**0.3**		**1**			1			
Georgia	**2.4**	0.9	**14**	1	13	1			
Illinois	**1.2**	2.9	**7**	7	6		1		
Indiana	**1.5**	1.8	**3**	4	2	1			
Iowa	**3.5**	5.1	**32**	31	31		1		
Kansas	**0.7**	0.9	**7**	5	3		1		
Kentucky	**0.2**		**2**		2				
Louisiana	**0.3**		**1**			1			
Maine	**1.0**	1.4	**1**	3		1			
Massachusetts	**1.2**	1.8	**1**	2		1			
Michigan	**1.8**	2.2	**2**	2		1	1		
Minnesota	**0.3**	1.1	**1**	1			1		
Missouri	**1.4**	1.5	**12**	11	11	1			
Nebraska	**2.8**	3.0	**30**	25	30				
New Hampshire	**1.0**	1.4	**1**	2		1			
New York	**6.8**	6.8	**6**	6		5	1		
North Carolina	**1.4**	0.5	**2**	2		1	1		
Ohio	**5.9**	5.0	**18**	12	12	5	1		
Pennsylvania	**2.2**	2.7	**2**	4		1	1		
Rhode Island	**0.7**	0.9	**1**	1		1			
South Dakota	—		**1**		1				
Tennessee	**1.5**		**21**		21				
Texas	**0.8**		**1**			1			
Virginia	**0.7**		**1**			1			
Washington	**0.4**		**1**			1			
Wyoming	**0.1**	0.2	**3**	3	3				
	53.0	51.4	**223**	162	158	27	10*	10	19

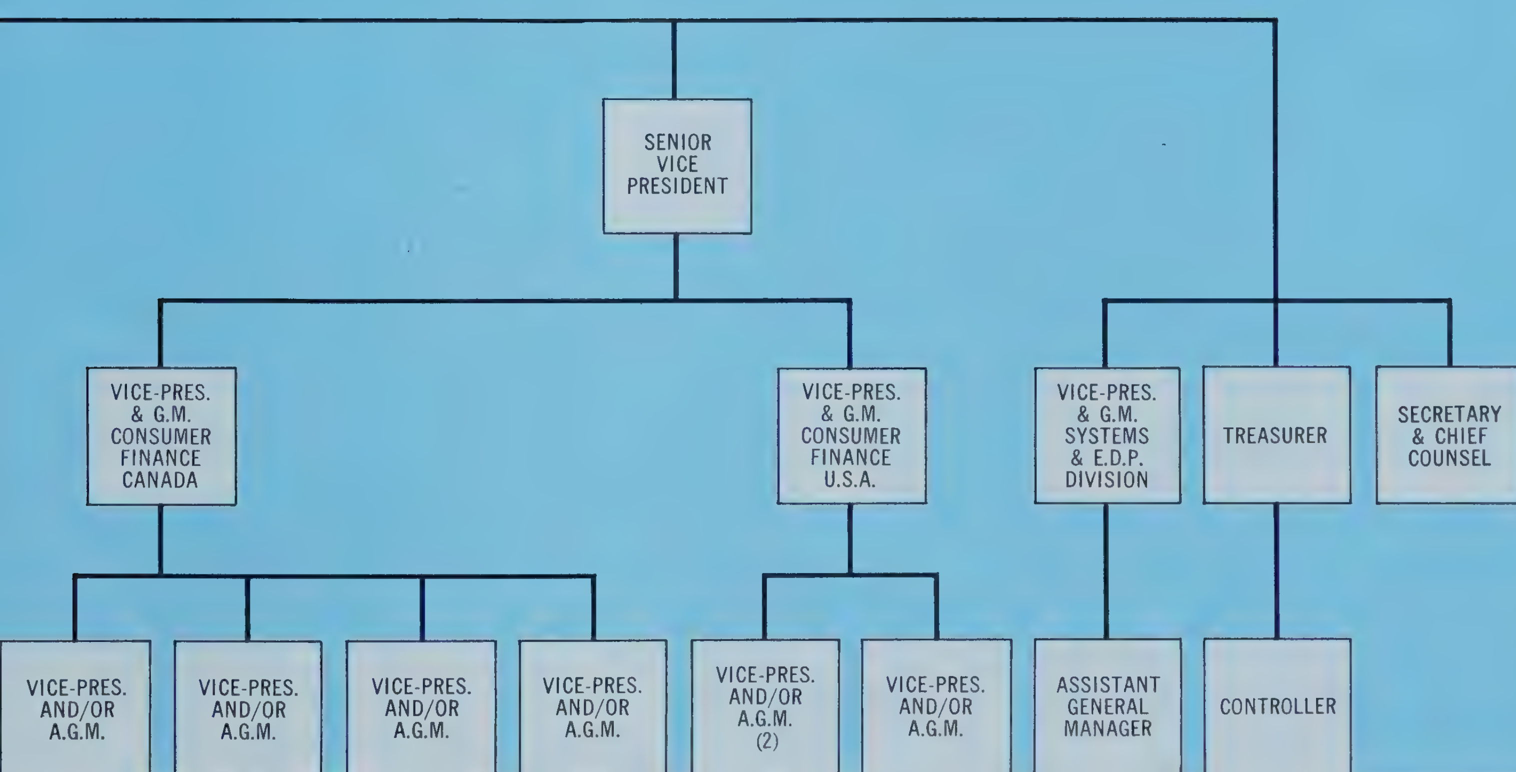
CANADA	**1968**	1967	**1968**	1967	Automotive	Capital Equipment	Canadian Consumer Finance	Insurance
Alberta	**6.2**	6.2	**25**	23	2	2	20	1
British Columbia	**6.3**	6.8	**31**	30	5	1	24	1
Manitoba	**1.7**	1.9	**13**	12	1	1	10	1
New Brunswick	**2.4**	2.7	**23**	23			23	
Newfoundland	**2.0**	2.1	**19**	17			19	
Nova Scotia	**2.1**	2.7	**21**	20			21	
Ontario	**15.9**	15.9	**112***	109*	10	1	98	2
Prince Edward Is.	**0.2**	0.3	**2**	3			2	
Quebec	**8.0**	7.7	**58**	55	3	1	52	2
Saskatchewan	**2.2**	2.3	**15**	14	2		13	
	47.0	48.6	**319**	306	23	6	282	7
	100.0%	100.0%	**542**	468				

**Includes one Farm Equipment Office located in Ontario, Canada.*

SENIOR ORGANIZATION CHART



AVCO
DELTA CORPORATION



MANAGEMENT

AVCO
DELTA
CORPORATION

Development of the more diversified financial service center demands expertise in all levels of management. Because of Avco Delta's complete training programs, on the job and in the classroom, there is a supply of young men capable of assuming the control of a financial service center. All of these men started in the grass roots of our business and have gained their expertise through the formal training programs and experience in the field.

All of the rapid, profitable growth and future planning that benefits everyone resulted from a group of experienced executives who brought energy and ambition to this young company. As members of the executive management team, they continue to be closely involved with managerial development which assures continuity and the kind of diversified experience that a progressive organization needs.

Here is our management team:

H. P. PATERNO, *President,* has a background of more than 20 years in the finance industry, half of them with the company which he now heads at the age of 44.

C. J. CONNELL, *Senior Vice President,* for Corporate Services and Insurance, came to the company in 1961 after 10 years experience in the insurance field. At 39, he was one of three designated to the new post of Senior Vice President in 1968.

T. M. CUMMING, *Senior Vice President,* now has responsibility for both the U.S. and Canadian Consumer Finance Divisions, having previously been Vice President and Gen-

eral Manager of the U.S. Consumer Finance Division. He has 18 years experience in the finance industry and has been with the company since 1959. He is 38 years of age.

R. M. HETT, *Senior Vice President,* has charge of the Thrift, Automotive, Capital Equipment, Farm Equipment, Home Improvement and Industrial Bank divisions. He has been General Manager of the Automotive and Home Improvement divisions prior to his appointment to Senior Vice President. He is 37 years of age and has 15 years experience in the industry. He joined Delta in 1960 as a branch manager.

W. A. GALLAWAY, *Vice President and General Manager, Automotive Division,* At 39, he is completing 10 years in the organization and 15 in the industry, having started with Delta as a Branch Manager in 1959 and progressing through all supervisory levels in the Division to his present position.

T. JACKSON, *President and General Manager, Industrial Bank Division,* started 20 years ago in the Colorado Industrial Bank. He has progressed through all supervisory and executive posts to General Manager, which he holds at age 46.

S. NEMIROW, *President and General Manager of the Thrift Division,* began his career with the Colorado Industrial Bank in 1948 and progressed through all supervisory and executive capacities to his present position to which he was appointed in 1966. He is 47 years of age.

C. L. NEWTON, *Vice President and General Manager, Canadian Consumer Finance Division,* has spent 11 of his 22 years in the industry with the company, progressing through all management and supervisory levels to his present position. He is 46 years of age.

R. A. ANDERSON, *Vice President and General Manager, United States Consumer Finance Division,* is in charge of operations in 15 states. He joined the company in 1959 after more than 10 years experience in the finance industry. He is 41 years of age.

M. H. BAILEY, *Vice President and General Manager, Capital Equipment and Farm Equipment Divisions,* assumed responsibility for the latter operation during the past year. He is 40 and had 15 years experience in banking and capital equipment financing before joining the company in 1965.

R. G. GREEN, *Vice President and General Manager, Insurance Division,* was promoted to head this division in March, 1968, at age 39. He started his career with Delta seven years ago after 11 years in the insurance business.

S. S. SHELDON, *Vice President and General Manager, Home Improvement Division,* has more than 15 years experience in the finance business, 7 of which have been with Avco Delta. He is 38 years of age.

H. E. DICKERSON, *Vice President,* at age 39, is in charge of Special Projects and reports directly to the President. He joined Delta in 1959 and has formerly been General Manager of the Automotive and Farm Equipment Divisions. He has 18 years experience in the finance industry.

MANAGEMENT CONTROLS

Management control is exercised through a well defined management organizational structure. Because of the rapid growth of the company, this structure is continually revised as the need develops for new responsibilities or functions.

In keeping with this principle, the Senior Management group was realigned in 1968. Responsibility for the various operating divisions within the Company is now divided amongst three Senior Vice Presidents reporting directly to the President, the General Managers of the various divisions in turn reporting to their respective Senior Vice President.

From this point on, the organizational structure varies amongst the divisions; however, on the average each regional manager directly supervises a geographical group of branches varying in number from one division to another. Depending upon the individual division, a branch will receive from two to five regular inspections per year. This number may be substantially increased by additional special visits when warranted.

An essential element in the organizational control is the separation of the accounting, data processing and treasury functions from the line organization. These departments report directly to the president.

Other areas through which management maintains control are:

Management Audit

The primary function of the Management Audit department, which reports directly to the Audit Committee of the Board of Directors, is to assist management in independently appraising performance and in safeguarding assets. The management audit program is coordinated with that of Arthur Young & Company, the Company's public accountants. Each year approximately ¼ of the Company's offices, representing each division, receive surprise audits under the combined programs.

The management audit program includes direct confirmation, on a test basis, of customer accounts. Controlled statistical sampling is used so that inferences can be drawn as to the nature of the accounts as a whole in the offices tested.

Accounting and Statistical Data

The Company has a highly sophisticated accounting and data processing system. Under the system all branch records can be duplicated on head office data processing equipment within 96 hours of the transaction. With this centralized control of records, the accounting and data processing centers are able to provide various levels of management with key operating statistics on a daily, weekly and monthly basis. For instance, some of the monthly statistics supplied to the Consumer Loan Division management are as follows:

1. Branch profit and loss statement, comparing budget and actual.
2. Delinquency figures on all retail accounts.
3. Listings of selected detail on all accounts including any differences between head office and branch balances.
4. Sources of business acquired and statistics relating to the volume of business gained from or lost to competitors.
5. Percentage of loans made to applications taken.
6. Losses and recoveries.

Various other vital statistics are produced monthly on the basis of each branch, region and the division as a whole. Excerpts from one of these reports are set out on the following page.

ANALYSIS OF LOAN DIVISION

BRANCH :
YEAR :

MONTH	TOTAL OUTSTANDING - THOUSANDS															
	TOTAL				I.B. CONSUMER LOANS				PRECOMPUTE CONSUMER LOANS (U.S.)				TOTAL PRECOMPUTE DIRECT LOANS			
	# ACCOUNTS	AMOUNT	AVG. BAL.	MAT.	# ACCOUNTS	AMOUNT	AVG. BAL.	MAT.	# ACCOUNTS	AMOUNT	AVG. BAL.	MAT.	# ACCOUNTS	AMOUNT	AVG. BAL.	MAT.

MONTH	TOTAL OUTSTANDING - THOUSANDS															
	I.B. DIRECT LOANS (U.S.)				SALES FINANCE				ALL OTHER I.B. ACCOUNTS				PRECOMPUTE LOANS WITH OVER $2500 ADVANCE			
	# ACCOUNTS	AMOUNT	AVG. BAL.	MAT.	# ACCOUNTS	AMOUNT	AVG. BAL.	MAT.	# ACCOUNTS	AMOUNT	AVG. BAL.	MAT.	# ACCOUNTS	AMOUNT	AVG BAL	MAT

MONTH	INCREASE - DECREASE (THOUSANDS)		INCREASE OR DECREASE # ACCOUNTS	TOTAL VOLUME (THOUSANDS)	R.S.F. ACCOUNTS (% TO S.F. O/S)	S.F. VOLUME		SOURCE OF LOAN VOLUME - ACCOUNTS						ADVERTISING EXPENSE (DOLLARS)
								NEW LOANS	FORMERS		RENEWALS	REFINANCE (LESS THAN 10% ADV.)	MULTIPLE	
	PROJECTION	ACTUAL				# ACCOUNTS	THOUSANDS		UNITS	% OF SOL.				
TOT.														

MONTH	BULK PURCHASES		COMPETITORS - ACCOUNTS GAINED OR LOST							APPLICATIONS		EARNINGS % TO F E.	ACCTS. PER EMP.	EXP PER 100 ACCTS	EXP PER $1000 F.E.
			CONSUMER LOAN		BANKS		CREDIT UNIONS		NET GAIN-LOSS	TOTAL	% LOANS MADE				
	# ACCOUNTS	AMOUNT (DOLLARS)	GAIN	LOSS	GAIN	LOSS	GAIN	LOSS							
TOT.															

MONTH	PRECOMPUTE - CONTRACTUAL DELINQUENCY								PRE-CAL. EXT. % TO L/A	REPO. O/S UNITS	DOUBTFUL ACCOUNTS		PRINCIPAL ONLY		EXPIRED ACCOUNTS	
	31-60 = 1.50		61-90 = .75		91&+ = 75		TOTAL = 3.00									
	# ACCTS.	% TO L/A	# ACCTS.	% TO L/A	# ACCTS.	% TO L/A	# ACCTS.	% TO L/A			# ACCTS.	% TO L/A	# ACCTS.	% TO L/A	# ACCTS.	% TO L/A

MONTH	INTEREST BEARING DELINQUENCY										LOSSES					
	31-60 = 1.00		61-90 = .50		91&+ = .50		INT. ONLY = .75		TOTAL = 2.75		GROSS		RECOVERIES		NET	
	# ACCTS.	% TO L/A	# ACCTS.	% TO L/A	# ACCTS.	% TO L/A	# ACCTS.	% TO L/A	# ACCTS.	% TO L/A	DOLLARS	% TO L/A	DOLLARS	% TO C/O	DOLLARS	% TO L/A
TOT.																

NOTE: ALL TOTALS ARE FOR CURRENT FISCAL YEAR ONLY

FINANCIAL STATEMENTS AND LONG FORM REPORT

SECTION 2

AVCO DELTA CORPORATION

ARTHUR YOUNG & COMPANY

277 PARK AVENUE
NEW YORK, N. Y. 10017

The Board of Directors
Avco Delta Corporation

We have examined the accompanying statement of consolidated financial position of Avco Delta Corporation at November 30, 1968 and the related consolidated statements of earnings and stockholder's equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Avco Delta Corporation at November 30, 1968 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying supplementary information appearing on pages 24 to 41 (except for the statistical analysis of the receivables as to type of collateral, maturity, delinquency, volume and liquidation, which are unaudited) has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all respects material in relation to the financial statements taken as a whole.

In compliance with the Note Agreement Item 6—Reports, etc., Section (h) we submit that in the course of our examination of the financial statements of the Company, nothing has come to our attention which would lead us to believe that any condition or event exists at November 30, 1968 which constitutes an Event of Default under the Note Agreements.

February 5, 1969.

ARTHUR YOUNG & COMPANY

CONSOLIDATED FINANCIAL POSITION

ASSETS	November 30, 1968	November 30, 1967
Cash	$ 53,470,342	$ 37,170,806
Marketable securities, at cost (approximate market)	1,108,875	951,278
Receivables (including amounts due after one year):		
Retail installment	356,794,726	267,256,918
Loans	266,223,183	212,088,896
Wholesale (on Avco New Idea Farm Equipment)	33,432,009	31,347,929
Other wholesale and miscellaneous	15,583,431	9,511,534
	672,033,349	520,205,277
Unearned discount and service charges	(91,549,865)	(63,959,974)
Allowance for losses	(12,848,226)	(9,344,050)
Net receivables	567,635,258	446,901,253
Prepaid income taxes (Note 2)	883,164	—
Other current assets	3,022,141	2,502,601
TOTAL CURRENT ASSETS	626,119,780	487,525,938
Net assets of insurance subsidiaries (Note 1)	12,283,734	7,576,669
Property and equipment and deferred expenses at cost less accumulated depreciation and amortization of $3,075,706 in 1968 and $1,808,176 in 1967	6,879,631	4,601,400
Excess of cost of investments in subsidiaries over acquired equity in net assets without amortization (Note 1)	16,835,410	14,656,233
TOTAL ASSETS	$662,118,555	$514,360,240

LIABILITIES AND STOCKHOLDER'S EQUITY	November 30, 1968	November 30, 1967
Notes payable		
Banks	$107,067,092	$ 69,329,592
Commercial paper	170,595,000	100,487,250
Long term debt installments due within one year	18,438,747	11,166,938
	296,100,839	180,983,780
Savings deposits	15,058,042	13,933,683
Accounts payable and accrued liabilities	11,865,679	10,593,685
Income taxes (Note 2)	—	3,335,911
Dealers' reserves and holdbacks	2,603,231	2,619,375
TOTAL CURRENT LIABILITIES	325,627,791	211,466,434
Long term debt (Note 3)	243,976,031	226,186,500
Minority interest in subsidiaries	5,111,684	4,406,136
STOCKHOLDER'S EQUITY		
Capital stock, no par value; 1,000 shares authorized, 848 shares issued and outstanding	34,850,000	33,850,000
Additional paid-in capital (Note 1)	25,832,348	20,687,645
Retained earnings (Note 4)	26,720,701	17,763,525
TOTAL STOCKHOLDER'S EQUITY	87,403,049	72,301,170
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$662,118,555	$514,360,240

Accounts for 1967 have been restated to conform with the 1968 classifications.

See accompanying notes and supplementary information

CONSOLIDATED EARNINGS

	Year ended November 30, **1968**	Year ended November 30, 1967
Interest, discount and service charges of finance companies	**$ 83,981,176**	$ 69,045,640
Income of insurance subsidiaries before income taxes (including gains on sales of securities of $2,286,055 in 1968 and $83,309 in 1967)	**3,620,335**	1,619,332
	87,601,511	70,664,972
Expenses		
Interest and debt expense	**29,966,626**	22,126,767
Provision for losses on collection of receivables	**8,442,435**	7,849,067
Other operating expenses	**32,832,274**	27,317,550
Income taxes (Note 2)	**7,047,545**	6,318,186
	78,288,880	63,611,570
Earnings before minority interest	**9,312,631**	7,053,402
Preferred stock dividends paid by subsidiaries	**355,455**	261,759
NET EARNINGS (Note 1)	**$ 8,957,176**	$ 6,791,643

CONSOLIDATED STOCKHOLDER'S EQUITY

	Year ended November 30, 1968			
	Capital stock	Additional paid-in capital	Retained earnings (Note 4)	Total
Balance at beginning of year	$ 33,850,000	$ 20,687,645	$ 17,763,525	$ 72,301,170
Net earnings for the year			8,957,176	8,957,176
Proceeds on sale of 10 shares of capital stock to Avco Corporation	1,000,000			1,000,000
Capital contributions by Avco Corporation (Note 1)		5,144,703		5,144,703
Balance at end of year	$ 34,850,000	$ 25,832,348	$ 26,720,701	$ 87,403,049

Accounts for 1967 have been restated to conform with the 1968 classifications.

See accompanying notes and supplementary information

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1968

NOTE 1—PRINCIPLES OF CONSOLIDATION

Avco Delta Corporation is a wholly-owned subsidiary of Avco Corporation. Avco assists Avco Delta in arranging and obtaining financing, and Avco Delta purchases wholesale receivables acquired by Avco in the sale of farm equipment; in all other material respects the operations of Avco Delta are separate and distinct from those of Avco.

The consolidated financial statements of Avco Delta Corporation include the accounts of all subsidiaries except insurance companies whose combined assets ($28,278,122) less combined liabilities ($15,994,388) are presented separately in the statement of consolidated financial position. The statement of consolidated earnings reflects separately the income of insurance subsidiaries before income taxes.

The accounts of the Canadian subsidiaries have been translated at the established rate of exchange of $1 Canadian = $.925 U.S. At November 30, 1968, $259,055,739 of current assets and $7,979,635 of current liabilities were represented by amounts to be settled in Canadian funds.

During 1968, Avco Corporation contributed its investments in two finance companies to Avco Delta Corporation. In addition Avco Delta purchased the remaining outstanding capital and preferred shares of one of the finance companies. As a result, Excess of cost of investments in subsidiaries over acquired equity in net assets and Additional paid-in capital increased $2,142,290 and $3,860,007 respectively. Consolidated earnings reflect the results of operations of the acquired companies from dates of acquisitions.

NOTE 2—INCOME TAXES

U.S. federal income taxes are based upon inclusion of Avco Delta and its domestic subsidiaries in consolidated tax returns with its parent Avco Corporation.

NOTE 3—LONG TERM DEBT

At November 30, 1968 long term debt consisted of:

Senior notes payable—5% to 7¾% maturing annually to April 1, 1983	$182,185,528
Senior subordinated notes payable—5¼% to 7¼% maturing annually to September 1, 1981	46,595,188
Junior subordinated notes payable—5⅝% to 7¼% maturing annually to June 30, 1988	33,634,062
	262,414,778
Installments due within one year (included in current liabilities)	(18,438,747)
	$243,976,031

NOTE 4—RETAINED EARNINGS

Under the agreements relating to the notes payable all of Avco Delta's retained earnings as at November 30, 1968 was restricted as to the payment of cash dividends on capital stock.

NOTE 5—LEASE COMMITMENTS

Substantially all of the branch offices and certain other properties occupied by the company are leased. The total annual rental commitments average approximately $1,950,000 for the fiscal years ending 1969-1973, and in amounts thereafter which are not considered material. Most of these leases extend over various periods up to 1987 and it is expected that in the normal course of operations they will be extended or replaced.

SUPPLEMENTARY INFORMATION AND STATISTICAL ANALYSES

Following herein is supplementary information with respect to consolidated results of operations for the year and the consolidated financial position at November 30, 1968. This also includes more detailed comments upon, or explanations of, certain of the asset and liability accounts appearing in the Statement of Consolidated Financial Position at the above date.

All figures for the periods ended November 30, 1964 are those of Avco Delta Corporation Canada Limited (formerly Delta Acceptance Corporation Limited) and its subsidiaries prior to acquisition by Avco Delta Corporation on December 7, 1964. These figures have been converted to U.S. funds at the appropriate rates of exchange. Also, it should be noted that operating results of 1964 include only an eleven month period while all other operating results are for a full twelve month period.

OPERATIONS

COMPARATIVE SUMMARY

A five year comparison of CONSOLIDATED EARNINGS is set out below:

	1968	1967	1966	1965	1964
INCOME			*(Thousands of Dollars)*		
Interest, discount and service charges of finance companies	**$83,981**	$69,046	$56,279	$40,317	$27,107
Income of insurance subsidiaries before income taxes	**3,621**	1,619	1,649	881	369
	87,602	70,665	57,928	41,198	27,476
EXPENSES					
Interest and debt expense	**29,967**	22,127	17,697	11,716	8,149
Provision for losses on collection of receivables	**8,442**	7,849	6,345	5,211	3,456
Other operating expenses including depreciation	**32,832**	27,317	23,011	16,198	10,845
Income taxes	**7,048**	6,318	5,588	4,046	2,330
	78,289	63,611	52,641	37,171	24,780
Earnings before minority interest	**9,313**	7,054	5,287	4,027	2,696
Preferred stock dividends paid by subsidiaries	**356**	262	386	466	—
NET EARNINGS	**$ 8,957**	$ 6,792	$ 4,901	$ 3,561	$ 2,696

Accounts for 1967 have been restated to conform with the 1968 classifications.

The following summary shows the consolidated results of operations for the fiscal year ended November 30, 1968 in comparison with 1967.

	1968		1967		
INCOME	Amount	Percentage of Total Income	Amount	Percentage of Total Income	Increase or Decrease
Interest, discount and service charges of finance companies	$83,981,176	95.9%	$69,045,640	97.7%	(1.8%)
Income of insurance subsidiaries before income taxes	3,620,335	4.1	1,619,332	2.3	1.8
	87,601,511	100.0	70,664,972	100.0	—
EXPENSES					
Interest and debt expense	29,966,626	34.2	22,126,767	31.3	2.9
Provision for losses on collection of receivables	8,442,435	9.6	7,849,067	11.1	(1.5)
Other operating expenses*	32,832,274	37.5	27,317,550	38.7	(1.2)
Income taxes	7,047,545	8.1	6,318,186	8.9	(.8)
	78,288,880	89.4	63,611,570	90.0	(.6)
Earnings before minority interest	9,312,631	10.6	7,053,402	10.0	.6
Preferred stock dividends paid by subsidiaries	355,455	.4	261,759	.4	
NET EARNINGS	$ 8,957,176	10.2%	$ 6,791,643	9.6%	.6%

**Details of Other Operating Expenses are as follows:*

Salaries and wages	$16,051,167	18.3%	$13,515,685	19.1%	(.8%)
Regional expenses	1,626,504	1.8	1,522,326	2.1	(.3)
Legal and audit services	494,879	.6	630,484	.9	(.3)
Depreciation of buildings and equipment and amortization of leased premises	988,892	1.1	520,959	.7	.4
Credit investigation and collection	922,003	1.1	1,010,982	1.4	(.3)
Automobile and travel	1,855,192	2.1	1,303,645	1.8	.3
Stationery, printing and office expenses	1,020,919	1.2	820,853	1.2	—
Rent (including services)	2,878,129	3.3	2,161,300	3.1	.2
Repairs and maintenance	101,688	.1	133,054	.2	(.1)
Payroll, municipal, capital and place of business taxes	1,123,288	1.3	746,595	1.1	.2
Telephone, telegraph and postage	2,567,172	2.9	1,901,058	2.7	.2
Advertising and promotion	1,245,905	1.4	1,452,601	2.1	(.7)
Personnel transfer	471,389	.5	422,520	.6	(.1)
Insurance	142,229	.2	185,796	.3	(.1)
Donations	55,720	.1	66,365	.1	—
Data processing	509,875	.6	283,624	.4	.2
Bank charges	278,998	.3	211,527	.3	—
Miscellaneous	269,793	.3	346,093	.5	(.2)
Amortization of deferred cost of developing newly established offices (net)	228,532	.3	82,083	.1	.2
	$32,832,274	37.5%	$27,317,550	38.7%	(1.2%)

Accounts for 1967 have been restated to conform with the 1968 classifications.

SOURCE OF FUNDS

The following summary shows the net increase during the year in investment in contracts and the manner in which this increase was financed.

Volume of contracts purchased during the year (including accrued interest)	$702,891,238	
Receivables acquired in the purchase of subsidiary companies	61,827,876	$764,719,114
Liquidation during the year (including write-offs and small loan refinancing and renewals)		612,891,042
		151,828,072
Increase in allowance for losses on contracts outstanding	3,504,176	
Increase in unearned discount and service charges on contracts outstanding	27,589,891	31,094,067
Increase in net receivables at November 30, 1968 of $567,635,258 over the corresponding balance at November 30, 1967 of $446,901,253		120,734,005
Decrease in dealers' reserves and holdbacks on contracts at November 30, 1968 over the balance at November 30, 1967		16,144
Net increase in investment in contracts at November 30, 1968 over the balance at November 30, 1967		$120,750,149

This net increase of $120,750,149 in investment in contracts at November 30, 1968 over the balance at November 30, 1967 was financed as follows:

Net earnings for the year	$ 8,957,176		
Add amortization and depreciation charged to operations	988,892	9,946,068	
Increase in notes payable			
Long term debt		25,061,340	
Banks		37,737,500	
Commercial paper		70,107,750	
		132,906,590	
Capital contribution by parent company:			
Additional stock	1,000,000		
Additional paid-in capital	5,144,703	6,144,703	
Increase in accounts payable and accrued liabilities		1,271,994	
Increase in savings deposits		1,124,359	
Increase in minority interest in the subsidiaries		705,548	
			$152,099,262
Deduct funds used for purposes other than the purchase of contracts:			
Increase in cash		16,299,536	
Increase in net assets of insurance subsidiaries		4,527,065	
Decrease in U.S. and Canadian income taxes payable		4,219,075	
Increase in property and equipment and deferred expenses		3,447,113	
Excess of cost of additional stock in subsidiaries purchased during the year over acquired equity in the net assets		2,179,187	
Increase in marketable securities		157,597	
Increase in other current assets		519,540	
			31,349,113
			$120,750,149

FINANCIAL POSITION

Set out below are details of certain of the assets and liabilities shown on the statement of Consolidated Financial Position as at November 30, 1968.

RECEIVABLES		**$672,033,349**	
LESS—UNEARNED DISCOUNT AND SERVICE CHARGES	**$ 91,549,865**		
—ALLOWANCE FOR LOSSES	**12,848,226**	**104,398,091**	**$567,635,258**

Receivables at November 30, 1968 and November 30, 1967 comprise:

	1968	1967
RETAIL INSTALLMENT	**$356,794,726**	$267,256,918
LOANS	**266,223,183**	212,088,896
WHOLESALE—(On Avco New Idea Farm Equipment)	**33,432,009**	31,347,929
OTHER WHOLESALE	**12,949,165**	7,537,191
CAPITAL LOANS	**1,532,886**	906,815
	670,931,969	519,137,749
ACCRUED INTEREST	**1,101,380**	1,067,528
	$672,033,349	$520,205,277

Statistical analyses of contracts receivable as to type of collateral, maturity, volume and liquidation and delinquency as summarized from the Company's records are as follows:

The maturities at November 30, 1968 of retail installment receivables of $356,794,726, loans of $266,223,123 and capital loans of $1,532,886 totalling $624,550,795 are shown below along with the corresponding maturities for November 30, 1967. The terms of these receivables require monthly installment payments.

	November 30, 1968		November 30, 1967	
	Amount	%	Amount	%
Past due installments	**$ 2,324,178**	**.4%**	$ 3,791,859	.8%
Installments due within one year excluding past dues	**271,785,310**	**43.5**	215,607,258	44.9
Total due within one year	**274,109,488**	**43.9**	219,399,117	45.7
13-24 months	**188,768,155**	**30.2**	147,783,155	30.8
25-36 months	**97,485,072**	**15.6**	69,907,736	14.5
37-48 months	**37,534,937**	**6.0**	25,584,604	5.3
49-60 months	**17,441,709**	**2.8**	11,386,028	2.4
Over 60 months	**9,211,434**	**1.5**	6,191,989	1.3
	624,550,795	**100.0%**	480,252,629	100.0%
Wholesale	**46,381,174**		38,885,120	
Accrued interest	**1,101,380**		1,067,528	
Total receivables	**$672,033,349**		$520,205,277	

ANALYSIS OF CONTRACTS RECEIVABLE, VOLUME AND LIQUIDATION BY TYPE OF COLLATERAL

KIND OF PAPER	November 30, 1967 Balance	%	Receivables acquired through purchases of subsidiary companies	Volume of contracts purchased during the year	Liquidation during the year**	**November 30, 1968 Balance**	**%**
RETAIL INSTALLMENT							
New automobiles	$ 28,671,547	5.52%		$ 27,500,129	$ 27,225,681	**$ 28,945,995**	**4.31%**
Used automobiles	11,267,671	2.17		12,487,415	13,081,669	**10,673,417**	**1.59**
Mobile homes	7,766,282	1.50		8,888,072	4,512,334	**12,142,020**	**1.81**
Capital equipment	32,568,334	6.27		30,137,822	29,560,754	**33,145,402**	**4.94**
Home improvement	90,414,608	17.42	$ 47,808,472	59,290,860	52,104,794	**145,409,146**	**21.68**
Real property	24,922,553	4.80		26,607,800	15,160,053	**36,370,300**	**5.42**
Farm equipment	23,041,716	4.44		21,616,109	15,909,887	**28,747,938**	**4.28**
Household goods and/or automobiles*	40,171,063	7.74	1,070,273	72,104,810	61,949,053	**51,397,093**	**7.66**
Other	8,433,144	1.62		9,392,943	7,862,672	**9,963,415**	**1.49**
Total retail	267,256,918	51.48	48,878,745	268,025,960	227,366,897	**356,794,726**	**53.18**
LOANS							
Automobiles	9,355,234	1.80	1,269,740	17,077,217	13,509,937	**14,192,254**	**2.12**
Household goods	97,300,291	18.74	8,464,446	163,461,774	128,498,364	**140,728,147**	**20.97**
Household goods and automobiles	90,298,183	17.39	1,690,457	99,013,978	101,419,438	**89,583,180**	**13.35**
Other	15,135,188	2.92	1,524,488	31,868,921	26,808,995	**21,719,602**	**3.24**
Total loans	212,088,896	40.85	12,949,131	311,421,890	270,236,734	**266,223,183**	**39.68**
WHOLESALE							
New automobiles	5,019,022	.97		47,675,780	44,346,130	**8,348,672**	**1.24**
Used automobiles	205,216	.04		2,773,300	2,653,847	**324,669**	**.05**
Mobile homes	580,683	.11		5,180,839	4,433,762	**1,327,760**	**.20**
Farm equipment	31,347,929	6.04		60,896,088	58,627,815	**33,616,202**	**5.01**
Other	1,732,270	.33		5,921,529	4,889,928	**2,763,871**	**.41**
Total wholesale	38,885,120	7.49		122,447,536	114,951,482	**46,381,174**	**6.91**
CAPITAL LOANS	906,815	.18		962,000	335,929	**1,532,886**	**.23**
	519,137,749	100.00%	$ 61,827,876	702,857,386	$612,891,042	**670,931,969**	**100.00%**
ACCRUED INTEREST	1,067,528			33,852		**1,101,380**	
TOTAL	$520,205,277			$702,891,238		**$672,033,349**	

*Primarily household goods acquired through dealers by divisions specializing in direct lending.
**Includes notes charged off during the year.

The number of accounts outstanding as well as the average balance and average maturity of receivables as of November 30, 1968 are as follows:

Division	Number of accounts (excluding wholesale)	Average Balance	Average maturity in months 1968	Average maturity in months 1967
Automotive	28,081	$ 2,527	**24**	21
Capital Equipment	2,189	15,142	**17**	17
Farm Equipment	7,670	3,748	**21**	25
Home Improvement	88,907	1,960	**38**	41
Banking	46,462	714	**18**	17
Thrift	36,621	532	**18**	17
Canadian Consumer Finance	242,723	749	**19**	19
U.S. Consumer Finance	144,571	580	**17**	18
Total Company	597,224	1,045		

ANALYSIS OF VOLUME OF BUSINESS BY TYPE OF COLLATERAL
(Thousands of Dollars)

KIND OF PAPER	1968 Amount	%	1967 Amount	%	1966 Amount	%	1965 Amount	%	1964 Amount	%
RETAIL INSTALLMENT										
New automobiles	$ 27,500	3.9%	$ 23,742	4.1%	$ 28,095	5.6%	$ 29,124	7.8%	$ 31,056	11.4%
Used automobiles	12,487	1.8	11,329	2.0	15,034	2.9	19,396	5.2	22,117	8.1
Mobile homes	8,888	1.3	5,667	1.0	3,800	.7	2,449	.7	2,222	.8
Capital equipment	30,138	4.3	26,075	4.5	23,991	4.7	25,749	6.9	16,790	6.1
Home improvement	59,291	8.4	43,592	7.5	41,507	8.1	55,724*	15.0	38,860*	14.2
Real property	26,608	3.8	15,312	2.6	11,671	2.2				
Farm equipment	21,616	3.1	24,791	4.3	10,192	2.0				
Other**	81,498	11.6	65,384	11.2	60,996	11.8	34,072	9.2	19,229	7.0
Total retail	268,026	38.2	215,892	37.2	195,286	38.0	166,514	44.8	130,274	47.6
LOANS										
Automobiles	17,077	2.4	11,968	2.1	10,745	2.1	7,867	2.1	4,545	1.7
Household goods	163,462	23.3	126,471	21.7	117,924	22.9	76,716	20.6	51,816	18.9
Household goods and automobiles	99,014	14.1	98,003	16.9	61,892	12.0	52,144	14.0	38,015	13.9
Other	31,869	4.5	24,069	4.2	34,795	6.8	16,779	4.5	7,436	2.8
Total loans	311,422	44.3	260,511	44.9	225,356	43.8	153,506	41.2	101,812	37.3
WHOLESALE										
New automobiles	47,675	6.8	44,548	7.7	49,033	9.6	44,164	11.8	34,261	12.5
Used automobiles	2,773	.4	1,864	.3	2,082	.4	2,176	.6	2,858	1.0
Mobile homes	5,181	.7	3,075	.5	2,135	.4	1,726	.5	1,624	.6
Farm equipment	60,896	8.7	49,787	8.6	35,017	6.8				
Other	5,922	.8	4,101	.7	5,334	1.0	3,434	.9	1,780	.7
Total wholesale	122,447	17.4	103,375	17.8	93,601	18.2	51,500	13.8	40,523	14.8
CAPITAL LOANS	962	.1	660	.1	212	—	812	.2	906	.3
TOTAL VOLUME	$702,857	100.0%	$580,438	100.0%	$514,455	100.0%	$372,332	100.0%	$273,515	100.0%

**Includes contracts secured by real property for which amounts are not available.*

***Includes conditional sales agreements, covering primarily household goods and/or used automobiles acquired through dealers by divisions specializing in direct lending.*

Note: *Figures for 1964 are those of Avco Delta Corporation Canada Limited. Due to a fiscal year end change from December 31 to November 30, the 1964 figures are for an eleven month period.*

The following is an analysis of delinquent accounts at November 30, 1968:

	Number of Accounts	Amount	Percentage of related outstandings
Direct cash loans:			
90 day accounts—no collections received for 90 days or more	7,002	$ 3,714,439	1.40%
60 - 89 day accounts — no collections received for 60 to 89 days	6,656	3,748,168	1.41
Interest only accounts	1,054	602,821	.22
	14,712	8,065,428	3.03%
Precomputed contracts:			
60 day accounts — one or more installments more than 60 days past due		6,747,006	1.88%
Total—1968		$14,812,434	2.37%
Total—1967		$ 9,377,082	1.95%

UNEARNED DISCOUNT AND SERVICE CHARGES of $91,549,865 represent the portion of interest and other finance charges included in the original face amount of related contracts receivable which is deemed to be unearned as at November 30, 1968.

The net finance charges on discounted receivables acquired are credited to unearned discount and service charges. A portion of such charges, generally 15%, is taken into income at the time of the purchase of each contract to offset acquisition costs. The remainder of the finance charge is transferred to income over the periods covered by the notes, in diminishing monthly amounts proportionate to the decreasing balances of the receivables (sum-of-digits method).

Interest on loans which do not include interest or finance charges in the original face amount is taken into income as earned and interest accrued at the respective balance sheet dates has been included with contracts receivable.

Unearned discount and service charges as related to each division are set out below:

	November 30, 1968		November 30, 1967	
DIVISION	Amount	Ratio to related receivables	Amount	Ratio to related receivables
	(Thousands of Dollars)			
Automotive (Note 1)	**$10,014**	**15.1%**	$ 5,700	10.9%
Capital Equipment	**3,439**	**10.4**	3,309	10.2
Consumer Finance:				
Canadian—				
Conditional sales contracts	**1,836**	**10.6**	1,546	10.3
Large loans	**20,723**	**19.6**	14,990	18.0
	22,559	**18.3**	16,536	16.8
United States—				
Conditional sales contracts	**1,370**	**10.2**	834	9.4
Small loans	**6,433**	**16.7**	4,438	17.0
Large loans	**2,792**	**12.1**	1,858	14.7
	10,595	**14.1**	7,130	15.0
Banking				
Conditional sales contracts	**934**	**10.3**	943	9.9
Consumer loans	**3,610**	**15.7**	3,129	15.4
	4,544	**14.0**	4,072	13.6
Thrift				
Conditional sales contracts	**1,075**	**10.4**	810	11.8
Consumer loans	**1,197**	**13.2**	736	14.2
	2,272	**11.7**	1,546	12.9
Home Improvement	**34,524**	**19.8**	22,441	19.5
Farm Equipment	**3,603**	**12.5**	3,226	14.0
Total	**$91,550**	**16.6%**	$63,960	15.6%

Note 1—1968 figures include $2,714,000 of unearned discount and service charges from Canadian realty operations.

A summary of the **ALLOWANCE FOR LOSSES** for the year ended November 30, 1968 follows:

Balance November 30, 1967	$ 9,344,050
Allowance for losses in subsidiaries acquired	1,955,323
Provision for losses charged to operations	8,442,435
	19,741,808
Losses on receivables less recoveries of $1,629,153	6,893,582
Balance November 30, 1968	$12,848,226

Accounts are reviewed continually by supervision and management and it is the Company's policy to write off all known losses, including the excess of repossession inventory over market value thereof, as they are ascertained regardless of the state of delinquency. The allowance for losses is determined for wholesale, capital loans and large capital equipment loans on a specific account basis and for all other accounts as a percentage of outstandings having regard to the Company's loss to liquidation experience.

The allowance for losses and its relation to receivables outstanding as well as the net losses to liquidation for 1964 to 1968 is as follows:

DIVISION	**YEAR**	Allowance for Losses (Thousands of Dollars)	Related (1) Receivables (Thousands of Dollars)	Ratio	Losses (2) Less Recoveries (Thousands of Dollars)	Liquidation(3) During Year (Thousands of Dollars)	Ratio
Automotive	1968	$ 1,358	$ 69,415	1.95%	$ 284	$ 52,937	.54%
	1967	*904*	*57,112*	*1.58*	*821*	*54,863*	*1.50*
Capital Equipment . . .	1968	663	33,145	2.00	249	29,230	.85
	1967	*655*	*32,568*	*2.00*	*479*	*24,081*	*1.99*
Home Improvement . .	1968	3,500	174,306	2.01	2,584	64,080	4.03
	1967	*2,318*	*115,337*	*2.01*	*1,568*	*42,493*	*3.69*
Farm Equipment . . .	1968	517	28,748	1.80	217	15,682	1.38
	1967	*394*	*23,042*	*1.71*	*108*	*10,962*	*.99*
Consumer Finance —Canada	1968	3,625	181,865	2.00	1,577	208,672	.76
	1967	*3,087*	*155,055*	*2.00*	*1,510*	*179,863*	*.84*
—U.S.	1968	2,080	83,890	2.48	1,411	72,583	1.94
	1967	*1,085*	*54,374*	*2.00*	*874*	*56,320*	*1.55*
Industrial Bank	1968	715	33,189	2.15	484	30,322	1.60
	1967	*657*	*31,754*	*2.07*	*411*	*28,067*	*1.46*
Thrift	1968	390	19,464	2.00	88	15,930	.55
	1967	*244*	*12,078*	*2.02*	*308*	*10,761*	*2.86*
TOTAL COMPANY . . .	1968	12,848	624,022	2.06	6,894	489,436	1.41
	1967	*9,344*	*481,320*	*1.94*	*6,079*	*407,410*	*1.49*
	1966	*7,574*	*418,780*	*1.81*	*4,736*	*334,910*	*1.41*
	1965	*5,735*	*329,422*	*1.74*	*3,741*	*242,229*	*1.54*
	1964(4)	*3,574*	*220,643*	*1.62*	*2,515*	*167,014*	*1.51*

(1) Excludes wholesale receivables
(2) Includes wholesale losses
(3) Excludes notes charged off and wholesale liquidation
(4) Eleven month period

The relation of losses to the average outstanding Loans for 1965 to 1968 are as follows:

YEAR	Average Outstanding (Thousands of Dollars)	Losses less Recoveries (Thousands of Dollars)	Ratio
1968	$238,798	$ 3,150	1.32%
1967	196,343	2,614	1.33
1966	155,782	1,824	1.17
1965	106,258	1,208	1.14

Auditing procedures followed by Arthur Young & Company with respect to contracts receivable outstanding during the year ended November 30, 1968 included the following:

- Extensive review of the system of internal control including tests both at head office and branches.
- Inspection of notes and related documents involving the larger balances.
- Confirmation of accounts on a test basis with debtors. Positive confirmations were obtained from .24% by number and 3.83% by dollar value of outstandings. In addition negative confirmations, which do not require a reply on the part of the customer, were mailed to 1.25% of the company's customers. All differences reported to Arthur Young & Company were followed up to their satisfaction. Also, the Management Audit Department confirmed approximately 10% of all accounts at each branch visited during the year. During 1968 more than 4,200 accounts were verified in this manner by the Management Audit Department.
- Independent trial balancing of selected contracts of various branches of the company.
- Physical examination of wholesale collateral for selected dealers.
- Review of contracts receivable balances and delinquency statements to ascertain that the allowance for losses of $12,848,226 is adequate to provide for any losses which may be incurred in the ordinary course of business.

PREPAID INCOME TAXES—$883,164

These consist entirely of federal, state, and provincial corporation income taxes.

Taxes on income as filed in respect of Avco Delta Corporation and its subsidiaries have been paid to November 30, 1967. In addition the Companies have either paid or set aside adequate reserves for the payment of all taxes in respect of the year ended November 30, 1968.

Details of the years for which income taxes have been examined are as follows:

Avco Delta Corporation	Not Examined
Avco Delta Corporation Canada Limited and its Canadian subsidiaries	
—Government of Canada	1966
—Provincial	1966
Avco Delta Corporation of Massachusetts and its affiliated companies	
—Government of the United States of America	1964
Avco Finance Company and its subsidiaries	
—Government of the United States of America	1966
Avco New Idea Credit Corporation	
—Government of the United States of America	Not Examined
Avco Thrift	
—Government of the United States of America	1967
Colorado Industrial Bank and its affiliated companies including Citizens Finance Company	
—Government of the United States of America	1966
Peoples National Fund, Inc. and its subsidiaries	
—Government of the United States of America	1964
Phelan Finance Corp. and its subsidiaries	
—Government of the United States of America	1966

OTHER CURRENT ASSETS—$3,022,141

Other current assets are summarized as follows:

Repossessions, foreclosures and property held for resale—at the lower of cost or market value	$1,203,760
Prepaid interest	681,679
Experience dividends receivable from health and accident insurance companies	572,114
Mortgage receivable	175,000
Prepaid expenses	147,340
Miscellaneous	242,248
	$3,022,141

NET ASSETS OF INSURANCE SUBSIDIARIES—$12,283,734

Net assets of subsidiary insurance companies at November 30, 1968 and November 30, 1967 consisted of:

	1968	1967
ASSETS:		
Cash	$ 1,019,900	$ 1,488,202
Amounts due from customers, insurance agents and re-insurance companies	2,565,324	2,252,822
Investments, at cost plus accrued interest—approximate market	24,692,521	15,134,901
Property and equipment at cost less accumulated depreciation and amortization of $326,943 in 1967	—	544,862
Prepaid expenses	377	758
Total assets	28,278,122	19,421,545
LIABILITIES:		
Provision for outstanding insurance claims	8,299,418	6,075,826
Unearned premiums	6,542,187	4,458,749
Accounts payable (including taxes)	1,152,783	1,310,301
Total liabilities	15,994,388	11,844,876
NET ASSETS	$12,283,734	$ 7,576,669

PROPERTY AND EQUIPMENT AND DEFERRED EXPENSES AT COST LESS ACCUMULATED DEPRECIATION AND AMORTIZATION—$6,879,631

Details of property and equipment and deferred expenses are set out below:

Property and equipment, at cost:			
Land	$ 286,132		
Buildings and improvements	2,546,641		
Furniture and equipment	5,575,622		
	$8,408,395		
Accumulated depreciation and amortization	(3,075,706)	$5,332,689	
Deferred expenses:			
Unamortized financing expense	848,846		
Deferred branch opening expenses	698,096	1,546,942	
			$6,879,631

Depreciation and amortization were charged to income during the year on a basis consistent with that of the preceding year, namely, on declining balance and straight line methods.

The balance sheet of Avco Delta Properties, Inc., a wholly owned subsidiary of Avco Delta, holding fixed assets in the U.S. is presented as follows:

ASSETS	
Land, buildings, furniture and leasehold improvements at cost	$4,348,225
Accumulated depreciation and amortization	(1,234,623)
TOTAL ASSETS (Note 1)	$3,113,602
LIABILITIES AND STOCKHOLDER'S EQUITY	
Accounts payable to related companies	$1,658,989
Current portion of long term debt	136,497
Accrued income taxes	26,000
Accrued interest	17,770
	1,839,256
Long term debt (Note 1)	1,239,281
STOCKHOLDER'S EQUITY	
Common stock, no par value; 1,000 shares authorized, 10 shares issued and outstanding	1,000
Retained earnings	34,065
TOTAL STOCKHOLDER'S EQUITY	35,065
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$3,113,602

Note 1—Certain fixed assets having a net book value of $1,407,661 are pledged as collateral on a long term note payable bearing interest at 7¾% due January 1, 1975.

The Company has followed the practice of deferring commissions, legal and other expenses in connection with the issue of its notes and the preferred stock of a subsidiary. Note expenses are amortized over the lives of the respective issues and preferred stock expenses over a period of 60 months. During the year additional note expenses of $209,727 were deferred and previous note and preferred stock expenses of $205,509 were charged to operations leaving a deferred balance of $848,846 ($844,628 at November 30, 1967).

The Canadian Consumer Finance Division defers a portion of the operating expenses incurred by each new branch during its development period which is considered to be the first twelve months of operation. The amount deferred for each office is limited to $10,000 and is charged against operations during thirty-six months following completion of the development period.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—$11,865,679

These consist of:

Accrued interest payable	$ 4,560,415
Due to Avco New Idea on wholesale advances	3,563,172
Accrued salaries and bonuses	1,217,919
Trade accounts payable	1,062,877
Miscellaneous taxes payable, other than state and federal	531,700
Credit life and physical damage insurance premiums payable	529,046
Deferred wholesale billing	228,962
Employee tax deductions payable	146,860
Other	24,728
	$11,865,679

SAVINGS DEPOSITS—$15,058,042

This represents savings deposits and certificates ($14,531,091), and debentures ($526,951), of Industrial Bank and Thrift subsidiaries. They yield the depositor interest varying in rate from 4% to 6%. The depositor has no checking privileges but can make withdrawals upon legally required notice.

DEALERS' RESERVES AND HOLDBACKS—$2,603,231

On the purchase of installment contracts from dealers and others, the Company withholds a portion of the purchase price for application against possible losses on contracts purchased and also to offset unearned discount and service charges rebated to customers on the prepayment of contracts. To a limited extent amounts withheld on contracts purchased represent an additional allowance for losses on receivables.

NOTES AND DEBENTURES PAYABLE

BANKS	$107,067,092	
COMMERCIAL PAPER	170,595,000	
LONG TERM	262,414,778	$540,076,870

Notes and debentures payable at November 30, 1968 are summarized as follows:

	Total	Due Within One Year
Senior notes:		
Short term series—Banks (Prime Rate):		
Payable in U.S. funds	$103,505,000	$103,505,000
Payable in Canadian funds	3,562,092	3,562,092
	107,067,092	107,067,092
Commercial paper:		
Payable in U.S. funds	170,225,000	170,225,000
Payable in Canadian funds	370,000	370,000
	170,595,000	170,595,000
Senior long term notes—5% to 7¾% Maturing annually to April 1, 1983	182,185,528	13,687,997
Senior subordinated notes—5¼% to 7¼% Maturing annually to September 1, 1981	46,595,188	2,994,188
Junior subordinated notes—5⅝% to 7¼% Maturing annually to June 30, 1988	33,634,062	1,756,562
	262,414,778	18,438,747
	$540,076,870	$296,100,839

Particulars of long term notes payable are as follows:

	Annual Payment	Amount
SENIOR NOTES PAYABLE—LONG TERM		
5% due September 1, 1979	$ 100,000 - 1970 to 1978	$ 1,000,000
5⅛% due July 1, 1980	1,395,000 - 1969 to 1978	
	6,967,500 - 1979	20,917,500
5⅜% due November 15, 1980	1,999,500 - 1969 to 1977	
	1,642,500 - 1978	19,638,000
5½% due March 1, 1975	1,250,000 - 1969 to 1974	7,875,000
5½% due April 1, 1976	175,000 - 1969 to 1975	1,400,000
5⅝% due June 1, 1976	200,000 - 1969 to 1975	1,600,000
5¾% due August 1, 1969	205,000 - 1969	205,000
5¾% due June 1, 1975	150,000 - 1969 to 1974	1,050,000
5¾% due April 1, 1981	1,874,250 - 1969 to 1980	25,000,000
6% due June 1, 1973	800,000 - 1969 to 1972	4,000,000
6% due March 1, 1974	750,000 - 1969 to 1973	4,500,000
6% due March 1, 1975	30,000 - 1969 to 1974	210,000
6% due November 15, 1979	182,500 - 1970 to 1978	1,825,000
6% due March 15, 1981	695,000 - 1970 to 1980	8,300,000
6⅛% due June 1, 1978*	46,250 - 1969 to 1977	462,500
6¼% due September 15, 1973	50,000 - 1969	
	60,000 - 1970 to 1971	
	75,000 - 1972	320,000
6¼% due October 15, 1975	100,000 - 1969 to 1974	700,000
6¼% due March 15, 1977*	27,750 - 1969 to 1976	249,750
6⅜% due September 15, 1971	300,000 - 1969 to 1970	800,000
6⅜% due June 1, 1978*	46,250 - 1969 to 1977	462,500
6½% due February 15, 1970	50,000 - 1969	100,000
6½% due January 1, 1975	334,000 - 1969 to 1974	2,328,000
6½% due October 1, 1981	3,750,000 - 1969 to 1980	50,000,000
6¾% due March 15, 1977*	18,500 - 1969 to 1976	166,500
6⅞% due April 1, 1983	1,410,000 - 1971 to 1982	23,500,000
7¼% due July 1, 1982	420,000 - 1973 to 1981	4,200,000
7¾% due January 1, 1975	Various - 1969 to 1974	1,375,778
Total senior notes payable		$182,185,528
SENIOR SUBORDINATED NOTES PAYABLE		
5¼% due September 1, 1979	$ 50,000 - 1970 to 1978	$ 500,000
5⅜% due July 1, 1980	390,000 - 1969 to 1978	
	335,000 - 1979	4,235,000
5½% due April 1, 1976	460,000 - 1969 to 1975	3,680,000
5½% due May 1, 1978	100,000 - 1969 to 1977	1,000,000
5⅝% due November 15, 1980	333,000 - 1969 to 1979	5,217,000
5¾% due January 1, 1970	60,000 - 1969	120,000
6% due August 1, 1969	127,188 - 1969	127,188
6% due March 1, 1975	225,000 - 1969 to 1973	
	100,000 - 1974	1,225,000
6% due April 1, 1976	100,000 - 1969 to 1975	800,000
6⅛% due June 1, 1976	50,000 - 1969 to 1975	400,000
6⅛% due August 15, 1980	100,000 - 1971 to 1979	1,000,000
6¼% due December 1, 1975	40,000 - 1969 to 1975	320,000
6¼% due March 15, 1977	170,000 - 1969 to 1976	1,530,000
6⅜% due September 1, 1981	364,000 - 1969 to 1980	4,836,000
6½% due June 1, 1974	250,000 - 1969 to 1973	1,500,000
6½% due December 1, 1974	60,000 - 1968 to 1973	420,000
6½% due August 1, 1976	160,000 - 1969 to 1975	1,280,000
6½% due November 20, 1976	70,000 - 1969 to 1975	560,000
6¾% due October 15, 1975	35,000 - 1969 to 1974	245,000
6¾% due September 1, 1979	1,078,000 - 1970 to 1978	15,400,000
7% due November 15, 1979	35,000 - 1970 to 1978	350,000
7% due March 15, 1981	58,600 - 1970 to 1980	700,000
7¼% due March 15, 1981	95,800 - 1970 to 1980	1,150,000
Total senior subordinated notes payable		$ 46,595,188
JUNIOR SUBORDINATED NOTES PAYABLE		
5⅝% due July 1, 1980	$ 300,000 - 1969 to 1979	$ 4,700,000
5⅞% due June 1, 1978	100,000 - 1969 to 1977	1,000,000
6% due April 1, 1976	280,000 - 1969 to 1975	2,240,000
6% due November 15, 1980	270,000 - 1969 to 1979	4,230,000
6% due June 30, 1988	27,500 - 1969 to 1987	550,000
6¼% due April 15, 1970	300,000 - 1969	450,000
6⅜% due March 1, 1975	150,000 - 1969 to 1974	1,050,000
6½% due August 1, 1969	104,062 - 1969	104,062
6½% due December 1, 1969	1,200,000 - 1969	1,200,000
6½% due September 15, 1970	55,000 - 1969	110,000
6½% due March 15, 1975	30,000 - 1969 to 1974	210,000
6½% due November 1, 1975	20,000 - 1969 to 1974	140,000
6⅝% due June 1, 1979	50,000 - 1970 to 1978	500,000
6¾% due March 15, 1977	55,000 - 1969 to 1976	495,000
7% due December 1, 1974	50,000 - 1969 to 1974	350,000
7% due October 15, 1975	15,000 - 1969 to 1974	105,000
7% due June 1, 1976	84,000 - 1970 to 1975	600,000
7¼% due September 1, 1979	1,092,000 - 1970 to 1978	15,600,000
Total junior subordinated notes payable		$ 33,634,062

*Payable in Canadian funds

The long term notes are held by various banks, institutional investors, and insurance companies. The following schedule details those lenders who hold an aggregate amount of long term notes of $500,000 or more. There are an additional 46 lenders who individually hold amounts under $500,000.

Lender	Senior	Senior Subordinated	Junior Subordinated	Total
The Prudential Insurance Company of America	$ 21,361,386	$ 8,380,000	$ 6,850,000	$ 36,591,386
Metropolitan Life Insurance Company	27,038,393	—	6,375,000	33,413,393
John Hancock Mutual Life Insurance Company	18,795,993	551,750	3,755,000	23,102,743
New York Life Insurance Company	12,537,957	4,170,000	1,880,000	18,587,957
The Northwestern Mutual Life Insurance Company	5,800,000	5,600,000	—	11,400,000
Aetna Life Insurance Company	7,245,417	2,660,812	940,000	10,846,229
Investors Diversified Services	10,545,957	—	—	10,545,957
Connecticut General Life Insurance Company	6,275,653	1,850,812	940,000	9,066,465
The Equitable Life Assurance Company of the United States	4,850,000	4,000,000	—	8,850,000
The Lincoln National Life Insurance Company	3,884,499	1,430,000	1,675,000	6,989,499
New England Mutual Life Insurance Company	4,079,025	2,641,626	—	6,720,651
Continental Assurance Company	6,465,600	—	—	6,465,600
The Mutual Benefit Life Insurance Company	1,226,899	2,170,000	2,550,000	5,946,899
The Penn Mutual Life Insurance Company	5,813,482	—	—	5,813,482
First National Bank of Chicago, as Trustee	5,268,977	—	—	5,268,977
Massachusetts Mutual Life Insurance Company	2,000,000	3,140,000	—	5,140,000
Old Colony Trust Company, as Trustee	3,843,723	—	550,000	4,393,723
State Mutual Life Assurance Company of America	525,000	2,132,188	809,062	3,466,250
Minnesota Mutual Life Insurance Company	250,000	1,586,000	640,000	2,476,000
The Franklin Life Insurance Company	2,407,590	—	—	2,407,590
The Connecticut Mutual Life Insurance Company	700,000	800,000	800,000	2,300,000
Phoenix Mutual Life Insurance Company	1,719,397	470,000	—	2,189,397
Bankers Life Company, Des Moines	1,675,000	—	—	1,675,000
Berkshire Life Insurance Company	1,400,000	—	—	1,400,000
Ford Foundation	1,375,778	—	—	1,375,778
Trustees of the Eaton Retirement Annuity Plan	1,341,250	—	—	1,341,250
The Northwestern National Life Insurance Company	500,000	525,000	175,000	1,200,000
The Paul Revere Life Insurance Company	—	320,000	850,000	1,170,000
Indianapolis Life Insurance Company	808,408	—	250,000	1,058,408
The George Putnam Fund of Boston	—	—	1,050,000	1,050,000
Home Life Insurance Company	1,030,000	—	—	1,030,000
United Insurance Company of America	1,000,000	—	—	1,000,000
Life & Casualty Insurance Company of Tennessee	968,918	—	—	968,918
Peoples Life Insurance Company	968,918	—	—	968,918
National Life Insurance Company	937,826	—	—	937,826
Sun Life Assurance Company of Canada	937,826	—	—	937,826
Pacific Mutual Life Insurance Company	907,591	—	—	907,591
Bankers Life Insurance Company of Nebraska	—	900,000	—	900,000
American Mutual Life Insurance Company	890,672	—	—	890,672
Lutheran Mutual Life Insurance Company	762,868	—	—	762,868
State Farm Life Insurance Company	750,000	—	—	750,000
Mutual Trust Life Insurance Company	200,000	210,000	280,000	690,000
The Independent Life & Accident Insurance Company	175,000	500,000	—	675,000
Modern Woodmen of America	450,000	210,000	—	660,000
North American Life Insurance Company of Chicago	660,000	—	—	660,000
Farm Bureau Life Insurance Company	550,000	—	70,000	620,000
State Capital Life Insurance Company	—	—	600,000	600,000
The Fidelity Mutual Life Insurance Company	600,000	—	—	600,000
Yale University	—	360,000	225,000	585,000
Standard Insurance Company	175,000	170,000	205,000	550,000
Jefferson Standard Life Insurance Company	525,000	—	—	525,000
Guarantee Mutual Life Company	453,797	60,000	—	513,797
Business Men's Assurance Company of America	250,000	250,000	—	500,000
Commonwealth Life Insurance Company	500,000	—	—	500,000
Equitable Life Insurance Company of Iowa	500,000	—	—	500,000
General American Life Insurance Company	500,000	—	—	500,000
Princeton University	—	—	500,000	500,000
	174,428,800	45,088,188	31,969,062	251,486,050
Other Lenders	7,756,728	1,507,000	1,665,000	10,928,728
Total	$182,185,528	$ 46,595,188	$ 33,634,062	$262,414,778

The maturities on long term notes at November 30, 1968 are summarized as follows:

Year ending November 30	Total	Senior	Senior Subordinated	Junior Subordinated
1969	$ 18,438,747	$ 13,687,997	$ 2,994,188	$ 1,756,562
1970	22,594,285	14,481,385	4,184,400	3,928,500
1971	22,501,046	15,753,146	4,224,400	2,523,500
1972	22,328,743	15,580,843	4,224,400	2,523,500
1973	22,762,452	16,014,552	4,224,400	2,523,500
1974	21,777,255	15,154,355	4,099,400	2,523,500
1975	19,966,900	13,694,000	3,749,400	2,523,500
1976	18,264,900	12,340,000	3,654,400	2,270,500
1977	16,633,900	11,965,000	2,774,400	1,894,500
1978	16,005,650	11,561,750	2,604,400	1,839,500
1979	28,888,150	15,399,250	7,069,400	6,419,500
1980	13,009,150	8,149,250	2,172,400	2,687,500
1981	10,641,100	9,994,000	619,600	27,500
1982	1,857,500	1,830,000	—	27,500
1983	6,607,500	6,580,000	—	27,500
1984 to 1988	137,500	—	—	137,500
	$262,414,778	$182,185,528	$46,595,188	$33,634,062

LIQUIDITY

The estimated liquidation periods of the net current debt and the non-current portion of the senior long term debt, are set out below. Cash, marketable securities and wholesale receivables have been assumed to be immediately available to liquidate the debt, and the installment receivables available as they mature (as indicated on page 27).

		1968		1967
Total current liabilities		$325,627,791		
Deduct:				
Cash	$ 53,470,342			
Marketable securities	1,108,875			
Wholesale receivables	46,381,174	100,960,391		
Net current debt		224,667,400		
Estimated liquidation period			9.5 mo.	6.8 mo.
Non-current portion of senior long term debt		168,497,531		
Total		$393,164,931		
Estimated liquidation period			18.9 mo.	17.7 mo.

NOTE COVENANTS

Senior notes, senior subordinated notes and junior subordinated notes issued under the Note Agreements contain certain specific covenants by the Company which are summarized below:

(1) That it will not permit adjusted consolidated net worth (as defined in the agreement) to become less than $30,000,000.

(2) Indebtedness:

(A) That senior debt of the Company cannot in the aggregate principal amount exceed 375% of the sum of—

(i) adjusted consolidated net worth of the Company and

(ii) senior subordinated debt of the Company and

(iii) junior subordinated debt of the Company
(See Item A below)

(B) That senior subordinated debt of the Company cannot in the aggregate principal amount exceed 50% of the sum of—

(i) adjusted consolidated net worth of the Company and

(ii) junior subordinated debt of the Company
(See Item B below)

(C) That junior subordinated debt of the Company cannot in the aggregate principal amount exceed 50% of the adjusted consolidated net worth of the Company.
(See Item C below).

(D) That a minimum of 10% of the senior debt of the Company in the aggregate principal amount shall represent borrowings from commercial banks and trust companies under established lines of credit.
(See Item D below).

At November 30, 1968, the ADJUSTED CONSOLIDATED NET WORTH (as defined) was $69,530,720 computed as follows:

Capital stock		$ 34,850,000	
Additional paid-in capital		25,832,348	
Retained earnings	$ 26,720,701		
Less: Retained earnings of "unconsolidated subsidiary"	34,065	26,686,636	
		87,368,984	
Minority interest			
Avco Delta Corporation Canada Limited—Preference shares		4,059,639	
		91,428,623	
Investment in and advances to an "unconsolidated subsidiary"		1,659,989	$ 89,768,634
Deduct:			
Property and equipment	5,332,689		
Less: Property and equipment of "unconsolidated subsidiary"	3,113,602		
	2,219,087		
Deferred expenses (net of applicable income tax of $363,525)	1,183,417	3,402,504	
Excess cost of investments in subsidiaries over acquired equity in net assets		16,835,410	20,237,914
			$ 69,530,720

Details of BORROWING RATIOS at November 30, 1968 are set out below:

ITEM A—Senior Debt

Senior notes payable	$458,471,842	
Savings deposits (including Savings debentures of $526,951)	15,058,042	
		$473,529,884
Adjusted consolidated net worth	69,530,720	
Senior subordinated debt	46,595,188	
Junior subordinated debt	33,634,062	$149,759,970
Permitted percentage		375%
Actual percentage		316.2%

ITEM B—Senior Subordinated Debt

Senior subordinated notes payable		$ 46,595,188
Adjusted consolidated net worth	$ 69,530,720	
Junior subordinated debt	33,634,062	103,164,782
Permitted percentage		50%
Actual percentage		45.2%

ITEM C—Junior Subordinated Debt

Junior subordinated notes payable	$ 33,634,062
Adjusted consolidated net worth	$ 69,530,720
Permitted percentage	50%
Actual percentage	48.4%

ITEM D—Source of Senior Debt

Senior debt (as shown in Item A)	$473,529,884
Senior debt due to commercial banks and trust companies	$107,067,092
Required minimum percentage	10%
Actual percentage	22.6%

Compliance with other specific covenants of the Notes requires that:

(i) the aggregate amount of debt owed by Canadian consolidated subsidiaries will not exceed 15% of the total senior debt of the Company and debt of domestic consolidated subsidiaries. As at November 30, 1968, Canadian debt amounted to $5,273,342 or only 1.1% of total senior debt.

(ii) the aggregate amount of debt to depositors of domestic consolidated subsidiaries (other than Canadian consolidated subsidiaries) engaged in the industrial bank and thrift business will not exceed 15% of receivables of the Company and its domestic consolidated subsidiaries. As at November 30, 1968, debt to depositors amounted to $14,531,091 or only 2.2% of total receivables.

(iii) the aggregate amount of debt owed by domestic consolidated subsidiaries, other than debt of Canadian consolidated subsidiaries and savings deposits owed by domestic consolidated subsidiaries engaged in the industrial bank and thrift business, will not exceed 10% of adjusted consolidated net worth. As at November 30, 1968 there was $526,951 of such debt which amounted to .8% of adjusted consolidated net worth.

(iv) the adjusted consolidated net worth be reduced by the amount by which accounts receivable and other obligations arising from commercial financing exceeds 25% of receivables. At November 30, 1968 there is no excess as these receivables amount to only 5.1% of receivables.

(v) the aggregate amount of receivables (after deductions of applicable unearned income) representing obligations incurred for the alteration, repair, improvement or modernization of urban, suburban or rural real property or buildings thereon shall not exceed 30% of the amount (after deduction of applicable unearned income) of all receivables outstanding excluding wholesale. At November 30, 1968 these receivables amounted to only 21.8% of net receivables, as defined above.

Also set out below is a certificate submitted by the Company in compliance with the Note Agreement Item 6—Reports, etc., Sections (e) and (f).

To the best of the knowledge of the undersigned, being a financial officer of Avco Delta Corporation:

1. *The voting stock of the Company as of November 30, 1968 was 100% owned by Avco Corporation.*
2. *There exists and has existed no condition which constitutes, or if not remedied might constitute, an Event of Default under the Notes.*

President

CAPITAL STOCK — $34,850,000

While at November 30, 1968 the Company owned 2,525,273 shares of the total of 2,525,459½ outstanding common shares of Avco Delta Corporation Canada Limited, the subsidiary had reserved at that date for issue to third parties additional common shares as follows:

(a) for issue under conversion privileges attached to second preference shares — Series B held by third parties, based on conversion privilege available on or before December 16, 1968 of 5 common shares for each Cdn. $100 par value preference share.	685 shares
(b) for issue under options held by employees expiring December 31, 1969 at $17.48 per share.	800 shares
	1,485 shares

ADDITIONAL PAID-IN CAPITAL — $25,832,348

Details of the changes in additional paid-in capital are set out in the Consolidated Financial Statements.

RETAINED EARNINGS — $26,720,701

Details in the changes in retained earnings during the year are set out in the Consolidated Financial Statements.

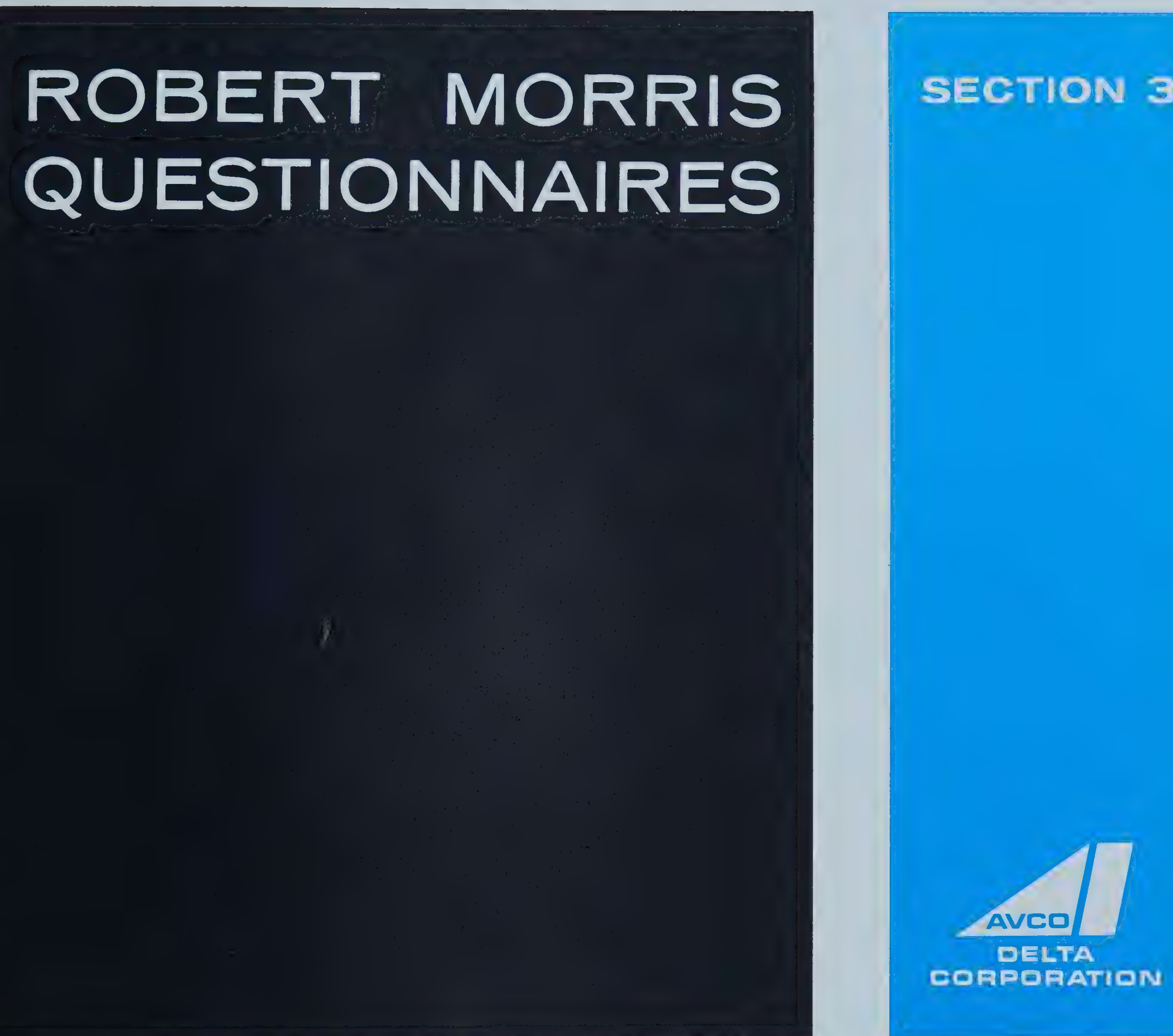
In the Notes the Company has covenanted not to make any stock payments (which include the payment of dividends on its capital stock, the purchase or redemption of any such stock and any distribution in respect of such stock) other than any such payments which may be payable solely in stock of the Company unless immediately thereafter and after giving effect to the stock payment in question:

(a) the aggregate amount of such stock payments made during the period subsequent to November 30, 1966 will not exceed the sum of the total consolidated net earnings of the Company and its subsidiaries during each period after deduction of all dividends on present preferred stock of Avco Delta Corporation Canada Limited provided, however, that at the time of and after giving effect to each such stock payment, the Company must be in compliance with the debt ratios prescribed in the Note Agreement without including in Adjusted Consolidated Net Worth any minority interest represented by present preferred stock of Avco Delta Corporation Canada Limited.

(b) the adjusted consolidated net worth of the Company and its subsidiaries (as defined in the Notes) will not be reduced to less than $30,000,000.

As at November 30, 1968, all of Avco Delta's retained earnings was restricted with respect to stock payments in accordance with the proviso to paragraph (a) above.

The Note covenants permit the Company to pay regular dividends on preferred stock which may be outstanding and to purchase, redeem or retire preferred stock to the extent required by applicable mandatory sinking funds. Any such dividends, purchase redemption or retirement must be deducted in the computation of any amount permitted to be paid or distributed in respect of other stock payments.


ROBERT MORRIS
QUESTIONNAIRES
SECTION 3
AVCO
DELTA
CORPORATION

SALES FINANCE COMPANY QUESTIONNAIRE

NOTE: In submitting this questionnaire with financial statements, please ascertain that identical terminology is used and that all figures in each are in agreement. Figures in schedules should be stated to the nearest dollar. If the information requested is already included in audit report, it need not be duplicated herein.

Name and Address of Company Avco Delta Corporation

750 Third Avenue, New York, New York 10017

Submitted as of February 5, 1969 covering the period from December 1, 1967 to November 30, 1968

1. If Direct Cash Lending or Commercial Financing operations are engaged in, complete the separate Direct Cash Lending Questionnaire (R.M.A. Form No. C 120-Rev.'66) and/or Commercial Financing Questionnaire (R.M.A. Form No. C 121 Rev.), eliminating duplicate schedules.

2. In schedules C, D, G, H, & L submit, as a minimum, separate information for each class of receivable which represents 10% or more of total consumer retail notes and contracts outstanding and for any other class or classes of receivables which are significant in your portfolio.

3. Does this report include operations of subsidiary or affiliated companies? Yes. If so, list below the names of any subsidiary or affiliate which has been financed other than by advances from the reporting company, the outstanding capital and percentage of ownership of each and amount and description of outside financing. None

4. Is any financing done for concerns in which officers, stockholders, directors of company or their families have a direct or beneficial interest? If so, give details.

1. Financing of furniture and fixtures for Commonwealth Holiday Inns of Canada Limited in the amount of $2,211,230 at rates of 11% and 12% per annum repayable in varying installments to October, 1973.

2. Financing in the ordinary course of business and at competitive market rates of an automobile dealership with secured loans of $514,660 and secured retail paper of $1,414,540 as at November 30, 1968.

SCHEDULE A

VOLUME OF BUSINESS FOR THE PERIOD AND OUTSTANDINGS AT END OF PERIOD:

(Under Consumer Retail Notes and Contracts if the classification "OTHER" represents 10% or more of total Consumer Retail Notes and Contracts outstanding, please detail.)

1. CONSUMER RETAIL NOTES AND CONTRACTS	VOLUME	OUTSTANDINGS END OF PERIOD
Automobile New (From Dealers)	27,500,129	28,945,995
Automobile Used (From Dealers)	12,487,415	10,673,417
*Automobile New (Direct) } Included in Direct Cash Lending Questionnaire	-	-
*Automobile Used (Direct) } Included in Direct Cash Lending Questionnaire	-	-
Appliances and Furniture	35,393	31,319
Mobile Homes New	8,888,072	12,142,020
Mobile Homes Used		
Real Property	26,607,800	36,370,300
Home Improvement	59,290,860	145,409,146
Other Farm Equipment	21,616,109	28,747,938
Machinery and Equipment	30,137,822	33,145,402
Other	9,357,550	9,932,096
Bulk Purchases	-	XXXXX
TOTALS	195,921,150	305,397,633
2. WHOLESALE	117,520,210**	45,027,884**
3. DIRECT CASH LOANS	-	-
4. CAPITAL LOANS TO DEALERS	962,000	1,532,886
TOTAL – ALL CLASSIFICATIONS	314,403,360	351,958,403

*This category should be limited to Direct Loans for automobile purchases. If these are included in Direct Cash Loans, please indicate. Do not include in both places.

**These figures do not include wholesale volume of $4,927,326 and wholesale outstandings of $1,353,290 for divisions included in the Direct Cash Lending Questionnaire.

SCHEDULE B – RESERVE FOR LOSSES RECONCILIATION – (excluding dealers participating reserves).

BALANCE BEGINNING OF PERIOD	4,271,363
ADDITIONS:	
Appropriations From Surplus	
Appropriations From Income	3,837,578
Appropriations From Deferred Income or Finance Charges	
Recoveries	509,689
Other Credits (Detail) Acquired through purchase of	
subsidiary companies	1,262,382
TOTAL ADDITIONS	5,609,649
DEDUCTIONS:	
Losses Charged Off	3,843,025
Transferred to Other Reserves (Specify)	
Transferred to Income	
Other Charges (Detail)	
TOTAL DEDUCTIONS	3,843,025
BALANCE END OF PERIOD	6,037,987

1. Indicate how provision for and balance of Reserve for Losses is determined. For example: Percentage of Volume, Percentage of Outstandings, Flat Allocation from Income, etc.

   A percentage of outstandings is maintained. See page 31 for details.

2. Indicate any portion of this reserve which is tax paid.

   No portion is tax paid.

SCHEDULE C – LOSS EXPERIENCE FOR PERIOD (Continued on page 48)

Any class of receivables which accounts for 10% or more of Consumer Retail Notes and Contracts Outstanding or which is significant in your portfolio should be detailed separately. All others may be included in one column. Add additional columns if necessary.

	WHOLESALE ** AUTOMOBILE	CONSUMER RETAIL NOTES and CONTRACTS		
		AUTOMOBILE	CAPITAL EQUIPMENT	HOME IMPROVEMENT
Outstanding beginning of period	6,342,308	39,939,218	32,568,334	115,337,161
Volume for period	56,624,122	39,987,544	30,137,822	78,002,860
Notes Purchased (Bulk-Face Amt.) Contracts acquired on purchase of a subsidiary company	–	–	–	47,808,472
1. TOTAL	62,966,430	79,926,762	62,706,156	241,148,493
LESS: Outstanding end of period	10,831,009	39,619,412	33,145,402	174,272,146
Notes Sold (Bulk-Face Amt.)	–	–	–	–
Notes Charged Off*	18,229	469,542	330,536	2,796,787
2. TOTAL	10,849,238	40,088,954	33,475,938	177,068,933
3. Liquidation 1. minus 2.	52,117,192	39,837,808	29,230,218	64,079,560
Notes Charged Off*	18,229	469,542	330,536	2,796,787
Less-Recoveries	–	204,135	81,791	212,346
4. Net Losses	18,229	265,407	248,745	2,584,441
% Net Losses to Liquidation 4. divided by 3.	XXX	.67%	.85%	4.03%
% Net Losses to Mo. Av. Outstanding (On Annual Basis)	.21%	XXX	XXX	XXX

*For purposes of this schedule, Notes Charged Off should be computed if possible Net of Unearned Charges. If gross figures are used, please indicate.

Indicate amount of claims against Bonding Companies which are carried as Assets.

$ Nil

**Wholesale automobile contains a small amount of mobile home paper and other collateral.

SCHEDULE C – LOSS EXPERIENCE FOR PERIOD

	WHOLESALE FARM EQUIPMENT	CONSUMER RETAIL NOTES and CONTRACTS		
		AUTOMOBILE	FARM EQUIPMENT	OTHER RETAIL**
Outstanding beginning of period	31,347,929		23,041,716	17,106,241
Volume for period	60,896,088		21,616,109	27,138,815
Notes Purchased (Bulk-Face Amt.)	–		–	–
1. TOTAL	92,244,017		44,657,825	44,245,056
LESS: Outstanding end of period	33,616,202		28,747,938	31,145,621
Notes Sold (Bulk-Face Amt.)	–		–	–
Notes Charged Off*	–		227,931	–
2. TOTAL	33,616,202		28,975,869	31,145,621
3. Liquidation 1. minus 2.	58,627,815		15,681,956	13,099,435
Notes Charged Off*	–		227,931	–
Less-Recoveries	–		11,417	–
4. Net Losses	–		216,514	–
% Net Losses to Liquidation 4. divided by 3.	XXX		1.38%	–
% Net Losses to Mo. Av. Outstanding (On Annual Basis)	–	XXX	XXX	XXX

*For purposes of this schedule, Notes Charged Off should be computed if possible Net of Unearned Charges. If gross figures are used, please indicate.

**All losses in this "Other" category have been included in the $469,542 retail auto losses. The amounts are not segregated by the company but in any case would not be substantial in amount.

SCHEDULE C – Continued

CHARGE OFF POLICY

1. Discuss in detail, your charge off policy for each class of receivable. Include in this but do not limit to:

   a. After what period of delinquency is an account charged off?

   b. How often are charge offs made? Monthly X, Quarterly ____, Semi-annually ____,

   Annually ____, If other, explain. Charge offs are made regardless of the state of delinquency at the time the account is deemed to be uncollectible. In general, this is on a monthly basis.

2. What is your charge off policy on:

   a. Deficiency balances — Charged off immediately

   b. Judgment accounts — Charged off immediately

   c. Bankruptcy accounts other than Chapter XIII)

   d. Chapter XIII Bankruptcy accounts)

   In all divisions except home improvement, these accounts are charged off immediately.

   What is the amount of all of the above carried as current assets $ 779,760*

   *All these accounts are in our home improvement division. These are written down to appraised value.

SCHEDULE D – DEALERS RESERVES

1. Dealers which have Reserve Debit Balances not charged off: Not material in amount.

   Number ____ Amount $ ____

2. How frequently are Dealer Reserve Debit Balances charged off?

3. Dealer Reserve Debit Balances charged off during period: Debit balances are charged against income and they are negligible in amount.

   Number ____ Amount $ ____

   To what accounts are such balances charged?

SCHEDULE E – BORROWINGS

NOTE: Attach schedule showing available Bank Lines at statement date and name of Broker handling sale of Open Market Paper. Open market paper is handled by Goldman Sachs.

	Specify Secured or Unsecured	*Maximum Amount	*Minimum Amount	Owing at Statement Date
**Bank Loans under lines of credit	Unsecured	108,367,092	62,904,592	107,067,092
** Open Market Borrowings	Unsecured	170,641,250	104,676,000	170,595,000
**Other Current Loans				
Maturities of unsubordinated term debt due within one year	Unsecured	XXXX	XXXX	13,687,997
Maturities of subordinated term debt due within one year	Unsecured	XXXX	XXXX	4,750,750
Long term debt – not subordinated	Unsecured	186,887,500	171,494,250	168,497,531
Long term debt – subordinated	Unsecured	80,229,250	65,072,000	75,478,500

* As determined by month end balances during the period.

Maximum total short term borrowings at any month end during the period: (All sources marked ** above)

$ 277,662,092 Date November 30, 1968

Have any receivables been sold (with or without recourse) during period? Specify amount and furnish details. No.

State policy regarding coverage of open market borrowings by unused bank lines. Coverage of 100%.

Are any borrowings endorsed or guaranteed? Give details and amount. No.

Are any bank lines available for use directly by subsidiaries, affiliated companies or parent company. Yes.

Four Canadian Bank lines are available to Avco Delta Corporation Canada Limited.

(See page 51)

AUTHORIZED BANK LINES

AS OF NOVEMBER 30, 1968

U. S. BANKS	LINE
Morgan Guaranty Trust Company of New York	19,000,000
The Chase Manhattan Bank, N.A.	17,000,000
Manufacturers Hanover Trust Company	17,000,000
First National City Bank	17,000,000
Bankers Trust Company	15,000,000
Mellon National Bank and Trust Company	12,000,000
First National Bank of Chicago	10,000,000
Continental Illinois Nat'l Bank & Trust Co.	10,000,000
Chemical Bank New York Trust Company	9,500,000
Irving Trust Company	8,000,000
National Bank of Detroit	7,000,000
Cleveland Trust Company	6,000,000
First National Bank of Boston	6,000,000
Bank of America, N.T. & S.A.	5,000,000
Crocker—Citizens National Bank	5,000,000
United California Bank	5,000,000
Philadelphia National Bank	5,000,000
Marine Midland Trust Co., of Western N. Y.	4,000,000
Schroder Trust Company	4,000,000
Detroit Bank and Trust	3,000,000
French American Banking Corp.	3,000,000
Bank of the Commonwealth—Detroit	3,000,000
American Express International Banking Corp.	3,000,000
Lincoln Rochester Trust Company	3,000,000
Manufacturers and Traders—Buffalo	3,000,000
First American National—Nashville	2,500,000
State Street Bank and Trust	2,500,000
Central National Bank of Cleveland	2,000,000
First National Bank & Trust—Oklahoma City	2,000,000
Union Commerce Bank—Cleveland	2,000,000
Western Pennsylvania National Bank	2,000,000
The First National Bank of Denver	1,500,000
Pittsburgh National Bank	1,500,000
Manufacturers National Bank of Detroit	1,500,000
United States Trust Company of New York	1,500,000
Connecticut National Bank—Bridgeport	1,500,000
Marine Midland Grace Trust Co. of N.Y.	1,500,000
Worcester County National Bank	1,500,000
First National Bank of Atlanta	1,100,000
First National Bank of Saint Paul	1,000,000
American National Bank of Denver	1,000,000
The Central Trust Company—Cincinnati	1,000,000
City Trust Company—Bridgeport	1,000,000
Colorado National Bank of Denver	1,000,000
First National Bank of Cincinnati	1,000,000
The Fifth Third Union Trust Co.	1,000,000
Southern Arizona Bank and Trust	1,000,000
La Salle National Bank—Chicago	1,000,000
Seattle First National Bank	1,000,000
Guaranty Bank and Trust—Worcester	1,000,000
First National Bank in Dallas	1,000,000
State National Bank of Connecticut	1,000,000
Hartford National Bank	1,000,000
Industrial National Bank of Rhode Island	1,000,000
The First Pennsylvania Banking & Trust Co.	1,000,000
Frost National Bank—San Antonio	1,000,000
Third National Bank in Nashville	1,000,000
First National Bank of Arizona	1,000,000
American Fletcher National Bank & Trust Co.	1,000,000
Southern California First National Bank	1,000,000
Society National Bank—Cleveland	1,000,000
First National Bank of South Carolina	1,000,000
National City Bank of Cleveland	1,000,000
Indiana National Bank—Indianapolis	1,000,000
The Connecticut Bank and Trust Company	750,000
National Boulevard Bank of Chicago	750,000
Winters National Bank & Trust—Dayton	750,000
County National Bank—Middletown, New York	750,000
United States National—Omaha	700,000
Bankers Trust Company—Des Moines	600,000
Northern City National Bank	600,000
First National—St. Petersburg	500,000
First—City National—Binghamton	500,000
New England Merchants—Boston	500,000

U. S. BANKS	LINE
Security National Bank—Huntington	500,000
Davenport Bank & Trust Co.	500,000
The Boatmen's National Bank	500,000
Mechanics National Bank—Worcester	500,000
Fulton National Bank—Atlanta	500,000
Newton-Waltham Bank & Trust	500,000
Bank of Commerce	500,000
Hempstead Bank	500,000
Union Planters National Bank of Memphis	500,000
Hamilton National Bank—Chattanooga	400,000
Hamilton National Bank—Knoxville	400,000
Mohawk National Bank	400,000
Upper Avenue National Bank—Chicago	400,000
Guaranty Bank & Trust—Denver	390,000
Rock Island Bank & Trust Company	350,000
First National Bank—Sioux City	300,000
Douglas County Bank of Omaha	300,000
North Shore National Bank—Chicago	300,000
First National Bank of St. Joseph	300,000
Monroe State Savings Bank	300,000
National Bank of Des Moines	300,000
American National Bank—St. Joseph	250,000
Rhode Island Hospital Trust	250,000
Exchange National Bank—Atchison	250,000
United States National Bank of Oregon	250,000
Mercantile Trust Company—St. Louis	250,000
Pennsylvania National Bank & Trust	250,000
Merchants National Bank—Syracuse	200,000
Maine National Bank	200,000
National Bank of Austin—Chicago	200,000
Indian Head National Bank	200,000
Brookline Trust Company	200,000
Proctor Trust Company	200,000
Wilmette State Bank	200,000
Merchants National Bank of Manchester	200,000
Bank of Buffalo	200,000
National Bank of Tulsa	200,000
North Side Bank—Omaha	200,000
First National Bank of Dubuque	200,000
First National Bank of Orlando	200,000
Fidelity State Bank—Topeka	165,000
The Second National Bank of Richmond	150,000
First National Bank of Columbus, Ga.	150,000
First National Bank of Fort Dodge	150,000
First National Bank of Danville	150,000
Lincoln National Bank—Chicago	150,000
City National Bank—Hastings	150,000
Fremont National Bank	130,000
Council Bluffs Savings Bank	100,000
Chittenden Trust Company	100,000
First National Bank in Wichita	100,000
Harvard Trust Company	100,000
Stock Yards National Bank	100,000
The Commercial National Bank of Little Rock	100,000
City National Bank—Kansas City	100,000
Hamilton National Bank—Morristown	100,000
Northwestern National Bank of Sioux City	100,000
First Security Trust & Savings—Chicago	100,000
Bank of Fulton County	100,000
Seaway National Bank—Chicago	75,000
Bank of Smyrna	70,000
Boone State Bank & Trust Company	50,000
U. S. Total	$270,730,000

CANADIAN BANKS (in U.S. Dollars)

Avco Delta Corporation Canada Limited	
The Toronto Dominion Bank	5,000,000
Bank of Montreal	925,000
Mercantile Bank of Canada	925,000
Canadian Imperial Bank of Commerce	925,000
Grand Total	$278,505,000

SCHEDULE F – MONTHLY MATURITIES OF INSTALMENT RECEIVABLES OUTSTANDING AT STATEMENT DATE

MONTH GROUPINGS	TOTAL INSTALMENT RECEIVABLES	CONSUMER RETAIL NOTES AND CONTRACTS	DIRECT CASH LOANS			OTHER INSTALMENT LOANS*
			PRECOMPUTED & DISCOUNT BASIS	INTEREST BEARING		
				PRINCIPAL	INTEREST	
Past Due	2,324,178	854,783				1,469,395
1-6	148,012,107	60,783,688				87,228,419
7-9	64,265,668	26,212,750				38,052,918
10-12	59,507,535	24,632,180				34,875,355
13-15	58,644,663	25,522,563				33,122,100
16-18	47,981,997	20,882,097				27,099,900
19-24	82,141,495	37,269,998				44,871,497
25-36	97,485,072	53,499,487				43,985,585
37-48	37,534,937	31,442,938				6,091,999
49-60	17,441,709	16,766,960				674,749
Over 60	9,211,434	9,063,074				148,360
TOTALS	624,550,795	306,930,518				317,620,277

NOTE: Totals above (excluding INTEREST column) should agree with respective totals in balance sheet.

*Pertains to Direct Cash Lending Questionnaire

Please indicate amount of non-instalment receivables in portfolio.

$ Nil

SCHEDULE G – DEFERRED INCOME - See Schedule D of the Direct Cash Lending Questionnaire.

Answers to the following questions should be furnished on a separate page titled "Schedule G."

For the purpose of this schedule, the term finance charge shall be defined as: "The difference between the face amount of a contract and the related amount advanced by the finance company (including, as part of this advance, insurance premiums and dealers' reserves)."

1. Is any portion of the finance charge taken into income when the contracts are purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each basis and type of business for each basis.

2. Is any portion of the original finance charge transferred to accounts other than income or deferred income? If answer is Yes, describe the accounts credited (such as loss reserves, or direct offsets to expenses) and the basis on which the amounts are transferred.

3. Is any portion of insurance premium taken into income as commission or otherwise when contracts are purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each.

SCHEDULE G – Continued

For the following questions, please indicate whether the deferred income is accounted for separately by class of receivable or in the aggregate for all receivables.

4.a. What are basic methods used in accounting for deferred income (sum of digits, liquidation, straight line or fixed percentage of outstanding)? Are procedures applied on an accrual or collection basis?

b. If sum of digits or straight line methods are used, are new charges inventoried on an account by account basis, spread over actual term by age group or spread over average term by group? If spread over average term, indicate number of months used.

c. If sum of digits or straight line accrual methods are used, do transfers to income commence in month of acquisition or month following month of acquisition?

5. To what account(s) are rebates charged? If sum of digits or straight line methods are used on groups of acounts, are rebates spread over actual terms or some average term? If spread over average term, indicate number of months used.

6. Are extension fees, late charges, etc. handled on an accrual basis or collection basis? Are these items credited to income or deferred income? If deferred income is handled on accrual basis, are the charges rescheduled to reflect extensions?

CONSUMER RETAIL NOTES AND CONTRACTS (Schedule A, Category 1)	RETAIL AUTOMOTIVE	CAPITAL EQUIPMENT	HOME IMPROVEMENT	FARM EQUIPMENT
A. Total Finance charges on new contracts acquired and loans made during period	13,322,385	4,239,426	20,085,973	3,814,935
1. Dollar amount credited to deferred income	11,541,357	3,929,423	17,073,077	3,814,935
2. Dollar amount taken directly into income or credited to other accounts	1,781,028	310,003	3,012,896	-
B. Face amount of related receivables acquired	62,778,859	30,137,822	78,002,860	21,616,109
C. Dollar amount of deferred income at end of period	10,013,971	3,438,950	34,523,668	3,603,262
D. Dollar amount of related gross receivables at end of period	66,140,033	33,145,402	174,272,146	28,747,938
E. Percent of deferred income to related gross receivables	15.1%	10.4%	19.8%	12.5%

SCHEDULE H – ANALYSIS OF CONSUMER RETAIL NOTE AND CONTRACT VOLUME FOR THE PERIOD – PURCHASED AND DIRECT (Excluding Demonstrators) (000 omitted)

1. AUTOMOBILES

NEW UNITS – Cash advanced as a percentage of dealer cost*

	36 MOS. OR LESS	OVER 36 MOS.	BALLOON PAPER	TOTALS
100% or Less	13,311	4,767	1,329	19,407
101 – 110%	3,694	1,708	58	5,460
Over 110%	191	68	–	259
TOTALS	17,196	6,543	1,387	25,126

USED UNITS – (Late model, current and two preceding years) Cash advanced as a percentage of used car guide wholesale value**

	30 MOS. OR LESS	OVER 30 MOS.	BALLOON PAPER	TOTALS
100% or Less	2,757	2,779	241	5,777
101 – 110%	682	1,328	26	2,036
111 – 120%	77	180	6	263
Over 120%	92	75	4	171
TOTALS	3,608	4,362	277	8,247

USED UNITS – (Older models than above) Cash advanced as a percentage of used car guide wholesale value**

	24 MOS. OR LESS	OVER 24 MOS.	BALLOON PAPER	TOTALS
100% or Less	2,417	–	27	2,444
101 – 110%	1,105	–	6	1,111
111 – 120%	238	–	7	245
Over 120%	434	–	6	440
TOTALS	4,194	–	46	4,240

*Dealer cost may include invoice plus applicable freight charges, taxes and license fees. Cash advanced must exclude finance and insurance charges.

** Please state reference book or books used.

Canadian Red Book - (National Automotive Publishers Limited)
Also Canadian Black Book - (National Auto Research Canada)

SCHEDULE H — Continued

2. MOBILE HOMES Information not available

Prepare a schedule similar to the automobile schedule showing the following information as to New and Used separately.

Advances — For new only: 100% or less, 101% — 110% and Over 110%
Terms: New — 1-60 months, 61-84 months, and Over 84 months.
Used — 1-60 months and Over 60 months.

3. OTHER CLASSES See page 28 which shows average maturities on all classes of business.

Similar information on terms (not advances) should be submitted with respect to each class of retail notes and contracts outstanding which constitutes 10% or more of total retail notes and contracts outstanding. Terms used should be typical for each class of receivable.

NOTE: In preparing the schedules in this section, it is understood that a delayed first payment of 50 days or less will not be considered an extra month in determining terms.

SCHEDULE I — WHOLESALE:
1. ANALYSIS OF WHOLESALE LOANS TO DEALERS

Classification	WHOLESALE		
	MAXIMUM OUTSTANDING AT ANY MONTH END DURING PERIOD	AMOUNT OUTSTANDING AT STATEMENT DATE	AMOUNT OUTSTANDING* 6 MONTHS OR OVER
Automobile — New	9,106,430	9,106,430	448,898
Automobile — Used	324,669	324,669	6,210
Mobile Home — New	1,374,073	1,327,761	69,445
Mobile Home — Used	87,477	68,296	11,655
Other — Detail	1,362,998	1,357,143	-
Farm Equipment	46,745,000	33,616,202	-
Capital Equipment	618,825	580,673	215,525
TOTALS	XXX	46,381,174	751,733

* From Date of Original advance.

SCHEDULE I – Continued

2. DEALER WHOLESALE CONCENTRATIONS:

List five largest dealer wholesale concentrations at STATEMENT DATE. Indicate any capital loans to these dealers, but do not include capital loans in determining concentrations.

NOTE: If the same dealer appears in Schedules I, J and/or K, the same letter designation should be used for each dealer in all schedules.

DEALER – Identify by Letter and type of business		Wholesale Outstanding		Wholesale Outstanding Over 6 Mos.	Capital Loans
		End of Period	Maximum at any Month End During Period		
A	Automobile	705,368	825,100	107,016	72,992
B	Automobile	653,709	653,975	67,815	-
C	Automobile	649,911	747,400	-	363,832
D	Automobile	600,570	200,570	-	-
E	Automobile	546,058	546,058	-	-
TOTALS		3,155,616	XXX	174,831	436,824

SCHEDULE J – CAPITAL LOANS TO DEALERS

Number 15 Amount $ 1,532,886

Itemize five largest capital loans to dealers showing type of dealer, amount, description of collateral and program for liquidation of each.

C - $363,832 - Promissory note, debentures, insurance loan - 235 payments at $1,542 and one for the balance.

F - $231,250 - Promissory note, guarantees, debenture, second mortgage - 35 payments at $2,346 and one for the balance.

G - $208,125 - Promissory note, assignment of agreeement of sale, assignment of fire insurance, mortgage - 35 payments at $3,189 and one for the balance.

H - $173,900 - First mortgage, assignment of life and fire insurance - 35 payments at $925 and one for the balance.

I - $138,750 - Promissory note, guarantees, second mortgage, assignment of fire insurance - 1 payment at $138,750.

SCHEDULE K – DEALER RETAIL CONCENTRATIONS

List five largest dealer retail concentrations based on outstandings at statement date.

DEALER – Identify by Letter and type of business		Volume Purchased During Period	Outstanding at Statement Date	Balances * Past Due 60 Days or more	Dealer Reserve Held	Repurchase Recourse or Non-Recourse
J	Automobile	3,772,150	4,898,921	-	160,246	Rec.
L	Home Improvement	1,591,554	4,154,000	62,310	1,862	NR
M	Home Improvement	1,598,546	3,673,000	-	2,060	NR
A	Automobile	2,529,875	2,710,547	-	-	Rec.
K	Automobile	1,633,550	2,145,610	-	2,506	Rec.
TOTALS		11,125,675	17,582,078	62,310	166,674	

*Unpaid balances of accounts with instalments past due 60 days or more on same basis as shown in Schedule L.

SCHEDULE L – ANALYSIS OF ACCOUNTS WITH INSTALMENTS PAST DUE 60 DAYS OR MORE FROM DUE DATE.
(Based on terms in effect at statement date)

If Automobile – Direct is not shown below include in Direct Cash Lending Questionnaire (R.M.A. Form No. C 120 Rev. 66)

CONSUMER RETAIL NOTES AND CONTRACTS	BALANCES	% of Related Receivables Outstanding
Automobile – Dealer	41,348	.06
Automobile – Direct		
Home Improvement	3,870,514	2.22
Farm Equipment	474,277	1.65
Capital Equipment	1,122,627	3.39
TOTAL	5,508,766	1.80

1. Total balances of accounts extended, revised or rewritten during the period, without change of obligor, based on gross balances at the time of extension, revision or rewrite.

Extensions and Revisions $ 37,976,465

Rewrites $ Not available

SCHEDULE L – Continued

2. Define rewrite as the term is used in your company.
   Refinancing that changes the terms of the original contract.
3. Define extension and revision as the terms are used in your company.
   An extension is the deferment of an installment payment to the end of a contract.
4. State your policies as to extensions, revisions and rewrites including but not limiting to:

   (a) The number of full payments required before a contract can be extended, revised or rewritten.
       Generally 6 payments.
   (b) The number of extensions, revisions or rewrites permitted during the life of a contract.
       One per 6 months.
   (c) At what level of management are extensions, revisions or rewrites granted or approved.
       On the basis of the approval required for the original contract.
5. What portion of a full payment must be received for an account to be considered current?
   75% of a full payment providing that only one payment is delinquent.
   How many full payments or what portion of a full payment must be received for the purpose of taking an account off the delinquent list? All of the previous past due payments including at least 75% of the most recent delinquent payment.
6. If any receivables were purchased in bulk during the period, were these receivables considered as current at the time of purchase or are such accounts aged and recorded above according to their actual degree of delinquency?
   All receivables purchased were recorded according to their actual degree of delinquency.

SCHEDULE M – RETAIL REPOSSESSIONS

COMPANY OWNED REPOSSESSIONS	INVENTORY AT PREVIOUS YEAR END		REPOSSESSED DURING THE PERIOD		INVENTORY STATEMENT DATE	
	UNITS	AMOUNT	UNITS	AMOUNT	UNITS	AMOUNT
Automobiles	90	132,713	870	1,357,658	31	59,794
Properties Held For Sale	69	859,942	45	695,290	37	779,760
Machinery and Equipment	9	74,608	51	490,191	4	61,897
Farm Equipment	Nil	Nil	188	907,888	34	149,677
Automobiles						
Mobile Homes						
Other						
TOTAL	168	1,067,263	1,154	3,451,027	106	1,051,128

On what basis are repossessions valued? At approximate market value.

SCHEDULE N –

Attach auditors certificate of compliance with restrictive covenants contained in your long term debt agreements relating to the maintenance of certain financial ratios and other financial conditions.

What is your Fidelity Bond coverage? Brokers blanket bond - limit $1,000,000 each loss.

The foregoing information, supplementing our financial statement of November 30, 1968

prepared by the company, is submitted for the purpose of obtaining credit.

Avco Delta Corporation
(Name of Company)

By [signature]
H.P. Paterno (Title)
President

PLEASE NOTE: The borrower is invited to submit any other pertinent information which would be of interest to the lender.

DIRECT CASH LENDING QUESTIONNAIRE

This questionnaire applies to companies engaged principally in making cash loans, generally under Small Loan Acts or similar regulatory laws. Provision has been made in the schedules below for some information regarding non-cash lending operations but if this amounts to a substantial part of your volume, the separate questionnaire for Sales Finance Companies or Commercial Financing Companies should be used in conjunction with this questionnaire. In submitting this questionnaire with financial statements, please ascertain that identical terminology is used and that all figures in each are in agreement. Figures in schedules should be stated to the nearest dollar. If the information requested is already included in an audit report, it need not be duplicated herein.

Name and Address of Company Avco Delta Corporation

Submitted as of February 5, 1969 covering the period from December 1, 1967 to November 30, 1968.

Does this report include operations of subsidiary or affiliated companies? Yes. If so, please list below the names of any subsidiary or affiliate which has been financed *other* than by advances from the reporting company, the outstanding capital and percentage of ownership of each and the amount and description of outside financing.

Nil

SCHEDULE A (In schedules A, B and C, indicate whether volume is reported on a net or gross basis. Use the same basis for all three schedules.) Gross basis.

ANALYSIS OF DIRECT CASH LOAN VOLUME FOR THE PERIOD BY MATURITY CLASS

	Number of Loans	Volume	Average Amount Per Loan
Loans written for 1 to 25 months	145,320	53,620,707	368
26 to 37 months	158,845	177,065,789	1,115
38 to 48 months	25,862	75,575,500	2,922
49 to 60 months	190	1,104,922	5,815
more than 60 months	385	3,455,653	8,976
Total Direct Cash Loans	330,602	310,822,571	940

Volume of loans written with a balloon payment, $3,211,376

SCHEDULE B

ANALYSIS OF TOTAL VOLUME FOR THE PERIOD – BY PRINCIPAL TYPES OF SECURITY

	VOLUME		GROSS OUTSTANDINGS
DIRECT CASH LOANS	Number of Loans	$ Amount	X X X
Real estate with or without other security.	245	593,561	X X X
Chattel mortgage on auto, household goods, and/or other security.	246,657	281,260,340	X X X
Unsecured except by co-maker or wage assignment	2,303	1,479,846	X X X
Unsecured (either single name or husband and wife)	81,397	27,488,824	X X X
Sub-total – Direct Cash Loans	330,602	310,822,571	266,223,183
OTHER PAPER PURCHASED (Describe major classes)			
Retail Contracts			
a. Conditional Sales	199,021	71,572,448	51,397,093
b.			
c.			
Other (Describe)			
Sub-Total – Other Paper Purchased	199,021	71,572,448	51,397,093
BULK PURCHASES a. Direct Cash Loans	1,114	599,319	Include in "Sub-total Direct Cash Loans" above.
b. Other Paper	4,730	532,362	Include in "Sub-total Other Paper Purchased" above.
Sub-Total – Bulk Purchases	5,844	1,131,681	X X X
GRAND TOTAL – All Classifications	535,467	383,526,700	317,620,276

SCHEDULE C
ANALYSIS OF DIRECT CASH LOAN VOLUME FOR THE PERIOD – BY TYPE OF BORROWER

	Number	Old Balances Renewed	New Money	Total
1. Loans to new borrowers	90,687	X X X X X	64,937,921	64,937,921
2. Loans to former borrowers	36,942	X X X X X	21,321,524	21,321,524
3. Loans to present borrowers	202,973	110,550,115	114,013,011	224,563,126
Totals	330,602	110,550,115	200,272,456	310,822,571

Note: Grand total in fourth column should agree with Direct Cash Loans in Schedule A and Direct Cash Loans sub-total in Schedule B.

Included under Number 3 above were 6263 loans (number of loans) to present borrowers where the amount of the loan, after deducting both finance charges and insurance charges, did not exceed the old balance renewed by more than 10%. For the purpose of compiling this statistic, the amount of each "Old Balance Renewed" is the unpaid balance owed at the time of refinancing minus all refunds of finance and insurance charges. (Those lenders reporting volume on a gross basis will report old balances on line 3 in the table above "gross", even though this supplementary statistic requires using "net" old balance figures.)

SCHEDULE D – DEFERRED INCOME

Answers to the following questions should be furnished on a separate page entitled "Schedule D."

1. Is any portion of refundable finance charges (interest and/or fees) taken into income as acquisition charges when loans are made or contracts purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each basis and show states and type of business for each basis.

2. Is any portion of non-refundable initial finance charges, where authorized, deferred? If answer is Yes, describe the exact basis for determining the portions deferred, and the method of taking such deferred portions into income.

3. Is any portion of finance charges transferred to accounts other than income, or deferred income, or dealer reserves? If answer is Yes, describe the accounts credited (such as loss reserves, or direct offsets to expenses) and the basis on which the amounts are transferred.

4. Is any portion of refundable insurance charges taken into income as acquisition charges or commissions when loans are made or contracts purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each basis and show states and type of business for each basis.

Answers to questions 5 through 7 should be separated as to "Direct Cash Loans" and "Other Paper Purchased." If any class of "Other Paper Purchased" constitutes more than 15% of total receivables, break your answer down by type of paper such as automobile, household goods, mobile homes, etc.

5. a. What is basic method used in accounting for deferred income (sum of digits, liquidation, straight line or fixed percentage of outstanding)? Is procedure applied on an accrual or collection basis?

   b. If sum of digits or straight line methods are used are new charges inventoried on an account by account basis, spread over actual term by age group or spread over average term by group? If spread over average term, indicate number of months used.

   c. If sum of digits or straight line accrual methods are used, do transfers to income commence in month of acquisition or month following month of acquisition?

6. To what account(s) are rebates charged? If sum of digits or straight line methods are used on groups of accounts are rebates spread over actual terms or some average term? If spread over average term, indicate number of months used.

7. Are extension fees and late charges handled on an accrual or collection basis? Are these items credited to income or deferred income? If deferred income is handled on accrual basis are the charges rescheduled to reflect extensions?

DEFERRED INCOME - Answers to the preceding questions

1. The net finance charges on discounted receivables acquired are credited to unearned discount and service charges. A portion of such charges, generally 15%, is taken into income at the time of purchase of each contract to offset acquisition costs. The remainder of the finance charge is transferred to income over the periods covered by the notes, in diminishing monthly amounts proportionate to the decreasing balances of the receivables (sum-of-digits method).

2. In some cases our company defers initial non-refundable finance charges. These are credited to deferred revenue. The credits are brought into income as stated in Note 1.

3. The balance of all finance charges, after crediting a set-up charge to income, is credited to deferred income.

4. No insurance income is recorded in our consumer finance subsidiaries, other than experience rebates on credit life insurance.

5. (a) See note 1 above.

   (b) The calculation is made by the computer on a separate account basis

   (c) Transfers to income commence in the month of acquisition but only half the calculated amount is credited to income the first month.

6. Rebates are charged against the net income account in the month incurred.

7. Extension fees and late charges are handled on a collection basis. These items are credited to income. Charges are re-scheduled to reflect extensions.

NOTE: All the above comments apply to our sales finance operations as well as our consumer finance operations.

SCHEDULE E

DIRECT CASH LOANS CLASSIFIED AS TO RECENCY OF PAYMENT

(Applicable to interest bearing, precomputed and discount basis loans)

NOTE - The company has changed its policy and now calculates all direct cash loan business on a recency of payment basis. In the past, the interest bearing loans were calculated on a recency basis and the precal loans were calculated on a contractual basis.

1. 60 day and over accounts
   a. Accounts which have had no collection of principal, interest or charges for 60 days or more – classified as to the period during which the last collection was received.

	Number	Unpaid Balances
60 - 89 days	6,656	3,748,168
90 - 119 days	2,425	1,326,519
120 days or more	4,577	2,387,920
	-	-
b. Accounts on which only interest, deferment, extension and/or default charges were received in the last 60 days.	1,054	602,821
Total	14,712	8,065,428
2. Partial payment accounts Accounts on which the total amount applied to the unpaid balance in the last 60 days was less than 50% of the *original* contractual monthly payment.	6,444	3,479,260
Total	21,156	11,544,688

Note – None of the classifications in Schedule E shall include any loans made or contracts acquired during the last 60 days. Partial payment accounts should not include any accounts reported in 1a or 1b above. On interest bearing loans, a contractual monthly payment may be assumed to be the original principal amount divided by the scheduled number of monthly payments for purposes of compiling #2. No credit to unpaid balance resulting from a refund associated with accelerating or recomputing an account to put it on an interest bearing basis should be treated as a collection for purposes of classifying accounts above.

3. If the "Other Paper Purchased" section of Schedule B (Volume) was filled out, please furnish a separate schedule for Past Due Accounts in this paper showing (1) Classification (description) of paper; (2) Amount of instalments in each class over 60 days past due: (3) Amount of balances in each class over 60 days past due – ALL BASED ON PRESENT CONTRACT TERMS. *

4. If any receivables were purchased in bulk during the period, were these receivables considered as current at time of purchase or are past due accounts recorded above according to their actual degree of delinquency?
   Past due accounts are recorded according to their actual degree of delinquency.

5. What is your charge-off policy on accounts:
   a. After what period of delinquency is an account charged off?
   b. How often are charge-offs made? Monthly ( ), Quarterly ( ), Semi-Annually ( ), Annually ( ), Other ( ) Please specify No specific period is laid down except that accounts with no payments in the last six months are charged off.

*Precomputed conditional sales finance accounts	Number	Unpaid Balances
60 - 89 days	1,384	405,228
90 days or more	2,598	833,012
Total	3,982	1,238,240

SCHEDULE F – RESERVE FOR LOSSES RECONCILIATION

BALANCE BEGINNING OF PERIOD	5,072,686
ADDITIONS:	
Appropriations from surplus	
Appropriations from income	4,604,856
Recoveries (Reconcile with Schedule G)	1,119,462
Other credits (Detail) reserves re acquisitions	692,941
Appropriations from deferred income or finance charges	
Total additions	6,417,259
DEDUCTIONS:	
Losses charged (Reconcile with Schedule G)	4,679,706
Transferred to other reserves (Specify)	
Transferred to income	
Other charges (Detail)	
Total deductions	4,679,706
BALANCE END OF PERIOD	6,810,239

SCHEDULE G – LOSS EXPERIENCE FOR PERIOD:

DIRECT CASH LOANS		
Loans Charged Off	(A)	4,143,525
Less–Recoveries		993,246
Net Losses		3,150,279
Average Monthly Outstandings (as determined from Schedule H)	(B)	206,998,318
% Net Losses to Average Outstandings (on an annual basis)		1.52 %
OTHER PAPER*		
Outstandings beginning of period		40,171,063
Volume during period		71,572,448
Notes purchased (bulk)		532,362
Total (1)		112,275,873
Less:		
Outstandings end of period		51,397,093
Notes sold (bulk)		
Notes charged off		536,181
Total (2)		51,933,274
Liquidation (1) minus (2)		60,342,599
Notes charged off		536,181
Less Recoveries		126,216
Net Losses		409,965
% Net Losses to Liquidation		.68 %

(A) Are precomputed and discount basis loans charged off net of deferred charges? Yes X No ___.
(B) If answer to A is yes, deduct average unearned charges as determined from Schedule H, Column 3

* Describe the types of receivables classified as "Other Paper" and furnish separate schedule showing beginning and end of period balances for each type:

SCHEDULE H

BALANCES OF DIRECT CASH LOANS AND BREAKDOWN OF COLLECTIONS:

Month	BALANCES OUTSTANDING—BEGINNING OF MONTH			* CASH COLLECTIONS—DURING THE MONTH			Deferred Income Taken into Earnings on Precomputed or Discount Basis Loans (7)	Balances Renewed during month (reconcile with Col. 2—Sched. C (8)
	Interest Bearing Loans (1)	Precomputed or Discount Basis Loans (Incl. Deferred Income) (2)	Reserve for Deferred Income (3)	Applied to Unpaid Face of Notes (4)	Interest and Charges not Applied to Face of Notes (5)	Total Cash Collections (Col. 4 plus 5) (6)		
1.	64,480,000	147,609,000	25,151,544	12,239,578	963,945	13,203,523	2,381,921	13,484,881
2.	66,351,000	154,032,000	26,142,854	10,778,171	1,008,916	11,787,087	2,155,298	7,711,881
3.	66,433,000	154,231,000	26,550,655	12,541,361	894,686	13,436,047	2,384,324	9,836,882
4.	66,679,000	157,196,000	27,442,483	11,686,339	1,042,704	12,729,043	2,367,212	9,412,882
5.	67,190,000	159,652,000	28,003,431	12,486,916	1,062,560	13,549,476	2,420,483	9,206,882
6.	67,797,000	162,574,000	28,621,056	12,742,622	1,045,772	13,788,394	2,500,329	8,985,882
7.	67,890,775	165,213,050	29,272,689	12,141,326	1,157,844	13,299,170	2,398,121	8,342,770
8.	67,820,475	169,366,250	29,982,618	14,541,867	1,201,885	15,743,752	2,523,029	9,245,356
9.	68,031,000	186,226,900	32,420,548	13,551,683	1,277,643	14,829,326	2,769,420	8,643,281
10.	68,334,450	189,353,250	33,001,622	13,926,679	1,251,402	15,178,081	2,708,171	8,137,507
11.	68,128,150	191,553,950	33,415,289	15,081,556	1,289,955	16,371,511	2,789,328	8,894,864
12.	67,749,475	194,252,775	34,159,884	11,272,736	975,325	12,248,061	2,902,354	8,647,047
Totals	806,884,325	2,031,260,175	354,164,673	152,990,834	13,172,637	166,163,471	30,299,990	110,550,115
Less: Deferred Income taken into Earnings (Col. 7)				30,299,990				
Principal Cash Collections				122,690,844				

* Do not include rebates

1. Number of Loans outstanding at end of period 306,976 At beginning of period 257,891
   Maximum terms are ____ months. Loans under Consumer Loan Acts 30-36 months
   Large consumer loans outside of Consumer Loan Acts 36-48 months

2. If the "Other Paper Purchased" section of Schedule B (Volume) was filled out, please furnish a separate schedule similar to Schedule H above, showing by months, Balances Outstanding and Deferred Income at the beginning of the month and Cash Collections thereon. The great majority of these conditional sales contracts are rolled into loans and cash collections are not material.

3. Precomputed or discount basis loans and contracts
   A. Total Finance charges on new contracts acquired and loans made during period.
      1. Dollar amount credited to deferred income
      2. Dollar amount taken directly into income or credited to other accounts
   B. Face amount of related receivables acquired
   C. Dollar amount of deferred income at end of period
   D. Dollar amount of related gross receivables at end of period

4. Dollar amount of interest bearing loans and contracts at end of period

	Direct Cash Loans	Other Paper Purchased
3.A.1.	60,550,599	
3.A.2.	10,685,400	
3.B.	210,063,567	73,746,421
3.C.	34,647,403	5,322,611
3.D.	198,284,070	51,397,093
4.	67,939,113	-

SCHEDULE I See Schedule E of the Sales Finance Questionnaire.

NOTE: Please attach schedule of latest confirmed lines of credit from banks and name of broker handling sale of open market paper.

BORROWINGS	Specify Secured or Unsecured	*Maximum Amount	*Minimum Amount	Owing at Statement Date
**Bank loans under lines of credit				
**Open market borrowings				
**Other current loans				
Maturities of unsubordinated term debt due within one year		X X X X	X X X X	
Maturities of subordinated term debt due within one year		X X X X	X X X X	
Long term debt – not subordinated				
Long term debt – subordinated				

*As determined by month end balances during the period.

Maximum total short term borrowings at any month end during the period: (All sources marked ** above)

$ ______________________ Date ______________

Have any receivables been sold (with or without recourse) during period? Specify details and amount.

SCHEDULE J

If 5% of your loan volume consisted of loans originally made for $5,000 or more, give the following data on the ten loans having the largest loan balances at the end of the period:
(a) Date made; (b) Original amount; (c) Amount outstanding; (d) Repayment Schedule; (e) Security; (f) Delinquency status.

SCHEDULE K

Please attach auditors' certificate of compliance with restrictive covenants contained in your most restrictive long term debt agreements relating to the maintenance of certain financial ratios and other financial conditions.

The foregoing information supplements our financial statement of November 30, 1968 prepared by the company and is submitted for the purpose of obtaining credit.

Avco Delta Corporation By HPaterno
(Name of Company) H.P. Paterno (Title) President.

PLEASE NOTE: The borrower is invited to submit any other pertinent information which would be of interest to the lender.

TOMORROW

SECTION 4

AVCO
DELTA
CORPORATION

AVCO DELTA THE TOMORROW PEOPLE

Avco Delta believes in people and their right to a better, brighter tomorrow.

As a man's family grows, his financial needs grow. He needs money for unexpected expenses, to give his children a good education, and to take advantage of special values in providing for his family. He needs help in planning his financial future.

The Tomorrow People give the family man the financing and counseling he needs. They give him expert advice on how to manage his money—when it's smart to spend it and when it's smart to save it. Most of all, they give him a better chance at the future, and a better tomorrow for himself and for his family.





NEW IDEA

The businessman earns a more profitable tomorrow.

To do a better job and be competitive today, a businessman must use the most modern equipment he can.

Financing from The Tomorrow People makes that equipment available.

A farmer, for instance, gets money for the tractor and the harvester he needs to produce a better crop. A road builder gets the financing for capital equipment to move the earth and pave the way for progress.

The man in business for himself and the man in big business—both do a more efficient job, earn higher profits and make a better tomorrow for everyone with the help of The Tomorrow People.

Automotive financing opens up people's worlds.

A man travels fifty miles a day to get to his job. He needs a car he knows he can depend on.

A housewife could use a station wagon to give her the freedom she needs to move around.

A teen-age son is ready for the keys to a second-hand model of his very own.

With automotive financing from The Tomorrow People at Avco Financial Services, people everywhere get the cars they need for a freer, more expansive tomorrow.

A more comfortable tomorrow—with the help of Avco Delta.

A family dreams of owning their own home. A man has to re-shingle his roof. A couple needs a nursery.

They get the money they need from The Tomorrow People.

A housewife would like to make her job a little easier with a new washing machine and dryer. A grandfather could use a new television set. A music student must have a new set of speakers for his stereo.

Avco Delta gives people everywhere the financing they need to help them realize their better tomorrow today.


SALE
SALE

Security for a well-planned tomorrow — insurance from The Tomorrow People.

A man works hard to make a better tomorrow for his family. He needs to be sure that tomorrow will be secure. The Tomorrow People give him the protection and peace of mind he needs by providing a broad range of insurance coverage today: to safeguard his home, his car, his family and his future.

A man can sleep, safe and sound, knowing his tomorrow and his children's tomorrow are protected and insured by The Tomorrow People at Avco Delta.

AVCO
DELTA
CORPORATION

Tomorrow. What kind of day will it be?

The Tomorrow People are building a better day, a better tomorrow for people everywhere.

For the young couple just starting out, tomorrow will be more comfortable, more secure, because The Tomorrow People help them out with financing for their home, its furnishings and conveniences, their automobiles, and for a well-planned future for them and their family.

Tomorrow. What kind of day will it be? What will happen? What does it mean for you?

No one can say for sure what tomorrow will bring. And each of us has our own special idea of what it means. But for all of us, tomorrow holds the promise of something better.

Avco Delta is the company that is working to make that promise come true for people all over the United States and Canada through its far-reaching Financial Services.

Avco Delta—The Tomorrow People.

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